



State of New Mexico
Hobbs Municipal School District #33
Annual Financial Report
For the year ending June 30, 2019



INTRODUCTORY SECTION

(This page intentionally left blank.)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2019

OFFICIAL ROSTER
June 30, 2019

Name

Board of Education

Title

Gary Eidson	Board President
Peggy Appleton	Board Vice President
Patricia D. Jones	Board Secretary
Joe Calderon	Board Member
Terry O'Brain	Board Member

Administrative Officials

T.J. Parks	Superintendent
Kerri Gray, CPA	Director of Finance
Debbie Cooper	Assistant Superintendent for Instruction
Eppie Calderon	Deputy Asst. Superintendent for Secondary Instruction
Amy Rhoads	Deputy Asst. Superintendent for Elementary Instruction
Will Hawkins	Asst. Superintendent for Human Resources

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2019

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Official Roster		4
Table of Contents		5
FINANCIAL SECTION		
Independent Auditors' Report		8
Management's Discussion and Analysis		10
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	22
Statement of Activities	A-2	24
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	26
Reconciliation of the Balance Sheet to the Statement of Net Position		28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund	C-1	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Title I IASA Special Revenue Fund	C-2	34
IDEA B Special Revenue Fund	C-3	35
Statement of Fiduciary Net Position and Assets and Liabilities	D-1	36
Statement of Changes in Fiduciary Net Position	D-2	37
Notes to the Financial Statements		38
SUPPLEMENTARY INFORMATION		
<u>Statement/ Schedule</u>		
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – General Fund	A-1	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	A-2	85
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Operational General Fund	A-3	86
Pupil Transportation General Fund	A-4	88
Instructional Materials General Fund	A-5	89

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
June 30, 2019

	<u>Statement/ Schedule</u>	<u>Page</u>
Nonmajor Fund Descriptions		90
Combining Balance Sheet – Nonmajor Governmental Funds	B-1	95
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	B-2	103
Fiduciary Funds Descriptions		112
Statement of Changes in Assets and Liabilities – Agency Funds	C	113
 SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository	I	115
Schedule of Deposit and Investment Accounts	II	116
Cash Reconciliation	III	118
Schedule of Net Pension Liability	IV	122
Schedule of Pension Contributions	V	123
Notes to the Required Supplementary Information		124
Schedule of Net OPEB Liability	VI	125
Schedule of OPEB Contributions	VII	126
 COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		128
 FEDERAL FINANCIAL ASSISTANCE		
Independent Auditors’ Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance		131
Schedule of Expenditures of Federal Awards	VIII	133
Schedule of Findings and Questioned Costs	IX	135
 OTHER DISCLOSURES		 140

FINANCIAL SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

INDEPENDENT AUDITORS' REPORT

Brian S. Colon, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Education
Hobbs Municipal School District #33
Hobbs, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Hobbs Municipal School District #33 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 20 and Schedules IV through VII and the notes to those schedules as listed on pages 122-126 in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential

2626 JBS Parkway
Suite A-200
Odessa, Texas 79761
(432)362-3800

Two Fasken Center
550 West Texas Avenue
Midland Texas 79701
(432) 683-1835

225 East Bender Boulevard
P.O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of federal awards as required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the accompanying financial information listed as Statement C and supporting Schedules I through III in the table of contents required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson, Miller & Co., CPA's



Hobbs, New Mexico
November 8, 2019

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Within the Management Discussion and Analysis of the fiscal performance of the Hobbs Municipal Schools (the "District") for the period ending June 30, 2019, the reader will see two statements – a Statement of Net Position and a Statement of Activities. The discussion and analysis, as well as the two statements, provide a review of the District's *overall* financial activities, using the accrual basis of accounting, for the year ending June 30, 2019. Governmental fund financial statements are reported on a modified accrual basis of accounting. Rather than look at specific areas of performance, this discussion and analysis focuses on the financial performance of the District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditors' Report, Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance, Schedule of Expenditures of Federal Awards, and a Schedule of Findings and Questioned Costs. These statements and information were included in past reporting by the District.

Hobbs Municipal School District #33 Accounting and Finance

We believe this written analysis and the accompanying financial reporting will indicate to the reader that the District is in good financial health. Indicators to the reader such as fund balances, cash on hand, and budget management all are indicators of a positive financial direction and management. The District maintains a financial and accounting staff with strong levels of technical experience.

Staffing levels and expertise are adequate to meet daily workload demands and to provide the necessary level of internal controls demanded of an organization the size of the District. Financial policies and procedures are in place to guide staff through the daily business routines.

As an integral part of the District's accountability process, the District's School Board is active in the monitoring of expenditures and budgets through a formal, monthly reporting process to the School Board. This reporting is provided at public meetings and becomes a part of the School Board's permanent, public record. These reports are public documents, and, through this public process, the financial reporting information is provided to and is open to public inspection.

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Significant Financial Highlights for the Year Ending June 30, 2019

- Capital Outlay expenditures were \$6,916,123 for the year ending June 30, 2019.
- For assets over \$5,000 current depreciation of \$7,552,377 was recorded resulting in accumulated depreciation of \$113,922,781 as of June 30, 2019.
- Total net position decreased from \$(85,738,386) as of June 30, 2018 to \$(110,298,310) as of June 30, 2019 resulting in a \$24,559,924 decrease between the two fiscal years.
- The overall fund balance decreased from \$28,047,180 as of June 30, 2018, to \$27,192,512 as of June 30, 2019 resulting in a \$854,668 decrease between the two fiscal years.
- Total revenues increased from \$103,014,458 for the year ended June 30, 2018, to \$106,513,079 for the year ended June 30, 2019 resulting in a \$3,498,621 increase between the two fiscal years.
- Based on the 40th-day count for the school year 2017-2018, the District saw an increase of 227 students in 18-19.

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

GOVERNMENT WIDE FINANCIAL STATEMENTS

Statement of Net Position

This overall Statement of Net Position is prepared using the accrual method of accounting. This statement shows that as of June 30, 2019, the District has total net position of \$(110,298,310).

	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Assets				
Cash & cash equivalents	\$ 19,359,833	\$ 21,382,769	\$ 26,978,683	\$ 25,831,104
Other current assets	9,058,737	4,103,978	5,028,237	6,300,618
Capital assets	231,147,006	232,583,776	234,880,631	241,659,394
Less: accumulated dep.	(92,832,848)	(99,282,089)	(106,492,531)	(113,922,781)
Restricted cash and investments	<u>14,109,570</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>180,842,298</u>	<u>158,788,434</u>	<u>160,395,020</u>	<u>159,868,335</u>
Deferred outflows	<u>14,334,023</u>	<u>18,000,882</u>	<u>70,826,200</u>	<u>57,963,640</u>
Liabilities				
Current liabilities	27,540,463	9,094,287	9,906,010	10,422,265
Long-term liabilities	<u>161,653,788</u>	<u>162,219,315</u>	<u>288,260,054</u>	<u>295,122,984</u>
Total liabilities	189,194,251	171,313,602	298,166,064	305,545,249
Deferred inflows	3,587,003	5,863,681	18,793,542	22,585,036
Net Position				
Net investment in capital assets	75,456,049	74,656,707	74,543,167	79,066,761
Restricted	2,201,084	3,650,142	8,026,963	7,014,105
Unrestricted	<u>(75,262,066)</u>	<u>(78,694,816)</u>	<u>(168,308,516)</u>	<u>(196,379,176)</u>
Total net positions	<u>\$ 2,395,067</u>	<u>\$ (387,967)</u>	<u>\$ (85,738,386)</u>	<u>\$ (110,298,310)</u>

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Statement of Activities

The Statement of Activities is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the District's net position for the fiscal year ending June 30, 2019.

**Governmental
Activities**

	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Total government activities	\$ 96,948,160	\$ 101,471,360	\$ 123,609,535	\$ 130,944,853
Less charges for services	1,356,603	1,344,428	1,278,771	885,019
Less operating grants and contributions	12,055,381	12,702,448	13,402,227	13,427,869
Less capital grants and contributions	108,618	169,377	212,965	224,941
Total governmental activities	\$ 83,427,558	\$ 87,255,107	\$ 108,715,572	\$ 116,407,024

General revenues

Property and oil & gas taxes	13,926,812	18,744,730	19,372,874	18,893,747
State of New Mexico equalization grant	66,102,370	64,501,711	67,877,295	71,853,322
Investment earnings	499,092	78,255	119,798	233,945
Miscellaneous	252,893	1,180,815	929,696	881,319
Gain/(Loss) on disposition of assets	(382,560)	(33,438)	(305,674)	(15,233)
Reversion to PED	-	-	-	-
Total general revenues	80,398,607	84,472,073	87,993,989	91,847,100

**Increase (Decrease) in Net
Position**

	(3,028,951)	(2,783,034)	(20,721,583)	(24,559,924)
Net Position Beginning	5,424,018	2,395,067	(387,967)	(85,738,386)
Restatement	-	-	(64,628,836)	-
Net Position Beginning - As Restated	5,424,018	2,395,067	(65,016,803)	(85,738,386)
Net Position Ending	\$ 2,395,067	\$ (387,967)	\$ (85,738,386)	\$ (110,298,310)

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

GOVERNMENT FUND FINANCIAL STATEMENTS

Statement of Revenues and Expenditures

Governmental fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balances is *not* new to the District's annual financial reports. This report guides the reader to a meaningful overall view for the district revenues, expenditures, and changes in fund balances. Total revenues from state, local and federal sources were \$106,513,079. Total expenditures for the District were \$107,367,747. The total ending fund balance was \$27,192,512, a decrease of \$854,668 from the prior year.

Multi-Year District Revenues and Expenditures

Revenue increased in the current fiscal year due to an increase in property tax revenue due to increased property valuations and an increase in oil and gas revenue because of the increase in oil prices. Expenditures increased due to an increase in salaries and an increase in capital projects.

<u>Year</u>	<u>Total Revenues</u>	<u>Change %</u>	<u>Total Expenses</u>	<u>Change %</u>
2002/2003	\$ 66,091,861	39%	\$ 60,093,986	26%
2003/2004	\$ 54,451,621	-18%	\$ 57,648,551	-4%
2004/2005	\$ 60,578,291	11%	\$ 68,280,722	18%
2005/2006	\$ 63,574,800	5%	\$ 61,603,162	-10%
2006/2007	\$ 66,725,318	5%	\$ 66,327,854	8%
2007/2008	\$ 70,771,387	6%	\$ 69,350,569	5%
2008/2009	\$ 76,006,004	7%	\$ 77,589,231	12%
2009/2010	\$ 77,543,714	2%	\$ 87,947,149	13%
2010/2011	\$ 79,051,222	2%	\$ 99,624,451	13%
2011/2012	\$ 81,971,310	4%	\$ 82,430,565	-17%
2012/2013	\$ 84,685,786	3%	\$ 81,287,818	-1%
2013/2014	\$ 89,931,378	6%	\$ 89,352,931	10%
2014/2015	\$ 95,100,273	6%	\$ 118,042,189	32%
2015/2016	\$ 94,500,768	-.6%	\$ 97,945,875	-17%
2016/2017	\$ 98,765,115	5%	\$ 112,354,063	15%
2017/2018	\$ 103,014,458	4%	\$ 97,048,894	-14%
2018/2019	\$ 106,513,079	3%	\$ 107,367,747	11%

The Budget

Budgets for the District reflect the same changes as seen in the revenue and expenditures of the District. The State of New Mexico school budget process is defined under New Mexico State Statutes (Section 22) and the New Mexico Administrative Code (Section 6). To enhance the process of developing a budget at the school district level, the Hobbs Municipal School District #33 utilizes goals and objectives defined by the local School Board, community input meetings, long term plans, and input from various staff groups to develop the budget. District priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement. The New Mexico State Auditor requires budget results to be reported for all funds, including non-major funds. These statements are presented as required supplementary information.

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

The Budget (continued)

The following table examines the summary budget performance of the funds for the fiscal year ended June 30, 2019. Detail budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for each major fund.

Funds Revenue Budget Performance for Major Funds Only

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
General Fund	\$ 73,632,285	\$ 76,009,500	\$ 75,950,422	\$ (59,078)
Title I IASA	1,789,456	1,789,456	1,336,252	(453,204)
Entitlement IDEA B	3,523,547	4,306,727	1,231,560	(3,075,167)
Debt Service	<u>7,235,968</u>	<u>7,235,968</u>	<u>8,031,811</u>	<u>795,843</u>
Totals	<u>\$ 86,181,256</u>	<u>\$ 89,341,651</u>	<u>\$ 86,550,045</u>	<u>\$ (2,791,606)</u>

Funds Expenditure Budget Performance for Major Funds Only

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
General Fund	\$ 78,632,285	\$ 81,010,841	\$ 74,779,049	\$ 6,231,792
Title I IASA	1,789,456	1,789,456	1,541,193	248,263
Entitlement IDEA B	3,523,547	4,306,727	1,700,399	2,606,328
Debt Service	<u>7,235,968</u>	<u>13,294,603</u>	<u>7,209,712</u>	<u>6,084,891</u>
Totals	<u>\$ 91,181,256</u>	<u>\$ 100,401,627</u>	<u>\$ 85,230,353</u>	<u>\$ 15,171,274</u>

The General Fund represents a majority of the total funds budgeted dollar amount. This fund provides the salary and benefits for the significant majority of the Instructional, Instructional Support, and School Support, Maintenance and Administrative staff as well as classroom materials, special education consulting staff, and fixed utility costs.

Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The General Fund is explored later in this Management's Discussion and Analysis.

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

The General Fund

Because the General Fund revenues represent \$76,084,783 of the total \$106,513,079 of District revenues, the impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$73,632,285 and had a final budget of \$76,009,500. The increase in budgeted revenues was primarily attributable to an increase in state flowthrough revenue.

The General Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff, and administrative staff as well as pupil transportation and instructional materials. The General Fund provides the predominant funding for athletics and summer school.

Except for fiscal year 2010 and 2017, the General Fund has seen significant increases in revenues, exclusive of Capital Outlays, as seen in the following table: The increase in 2019 was due to an increase in SEG. This was due to an increase in enrollment, and an increase in the unit value.

GENERAL FUND REVENUES

Year	Total Revenues	Change %
2002/2003	\$ 37,354,618	2.9%
2003/2004	\$ 38,633,543	3.4%
2004/2005	\$ 41,663,268	7.8%
2005/2006	\$ 45,172,062	8.4%
2006/2007	\$ 47,964,173	6.2%
2007/2008	\$ 51,651,782	7.7%
2008/2009	\$ 56,125,943	8.7%
2009/2010	\$ 50,028,588	-10.9%
2010/2011	\$ 52,888,136	5.7%
2011/2012	\$ 55,328,628	4.6%
2012/2013	\$ 59,094,120	6.8%
2013/2014	\$ 62,432,342	5.6%
2014/2015	\$ 68,972,889	10.5%
2015/2016	\$ 69,303,163	0.5%
2016/2017	\$ 67,845,584	-2.1%
2017/2018	\$ 71,146,640	4.9%
2018/2019	\$ 76,084,783	6.9%

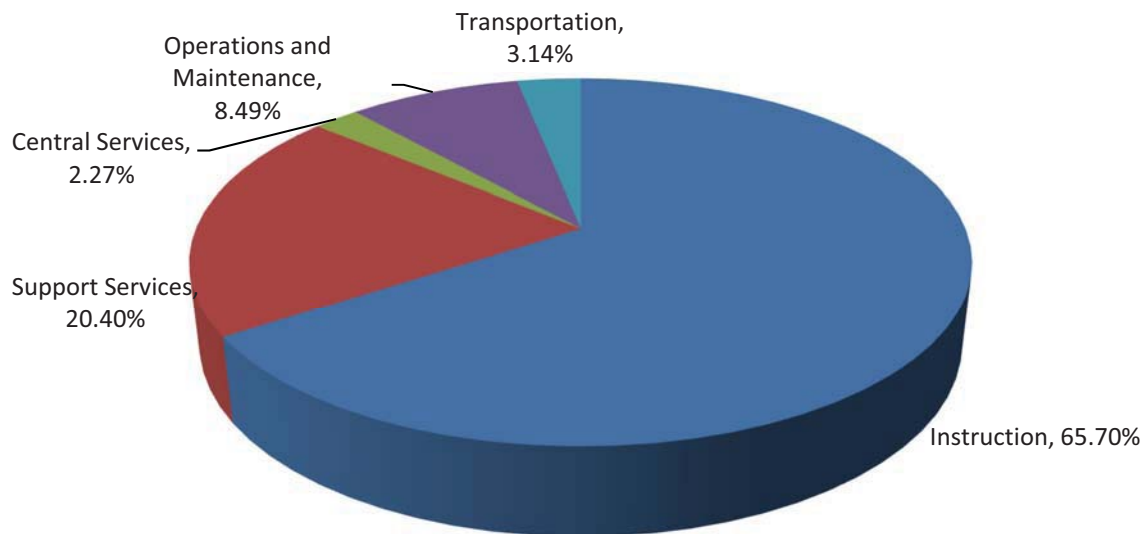
The General Fund is the primary fund whose expenditures are significantly related to the educational process. \$74,490,034 was expended during the year ended June 30, 2019. The most significant inter-fund expenditure was for the function noted as "Instruction." This expenditure was \$48,941,483 or 65.70% of all General Fund expenditures. Expenditures included in this function are compensation for regular and special education teachers and instructional assistants, substitute teachers, employee benefits, payroll taxes, school supplies, professional development, and miscellaneous instructional-related contract services. More than 80% of all General Fund expenditures are for employee salaries, payroll taxes, and benefits.

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

The General Fund (continued)

Support Services represents 20.40% of General Fund expenditures and account for expenditures for compensation, employee benefits, and payroll taxes for school principals, program coordinators, counselors, school nursing staff, librarians, special education ancillary staff, and significant support to special education programs through contract ancillary support staff and contract programs. The Office of the Superintendent and the Business Office represent the overhead support for the entire operations of the District; these programs combined represent 2.27% of the total General Fund expenditures. Maintenance and Operations account for 8.49% of the General Fund expenditures. Included in the Maintenance and Operations expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, risk/property insurance, maintenance and repairs, maintenance supplies, and school custodial supplies. Additional support for repairs and maintenance along with capital projects comes from the voter- approved Two-Mill and Four-Mill Levy Funds. Student Transportation accounts for 3.14% of General Fund expenditures; these expenditures are primarily for the flow through of the transportation funds for bus transporting the students to and from school each day. The General Fund also supports expenditures for school athletics and summer school.

General Fund by Expenditures



STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Capital Assets

GASB 34 rules require public entities to depreciate capital assets. This statement includes an adjusted accumulated depreciation of the District's capital assets in the amount of \$7,552,377 as of June 30, 2019. The District utilizes a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

The primary decrease of approximately \$5 million to capital assets (net) for the year was primarily due to an increase in depreciation.

The following table recounts the balances for the District's investment in all capital assets:

<u>Hobbs Municipal School District #33</u>	<u>Balance June 30, 2018</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 3,988,738	\$ -	\$ -	\$ 3,988,738
Construction in progress	<u>313,830</u>	<u>4,993,375</u>	<u>429,912</u>	<u>4,877,293</u>
Total capital assets not being depreciated	<u>4,302,568</u>	<u>4,993,375</u>	<u>429,912</u>	<u>8,866,031</u>
Capital assets being depreciated:				
Buildings and improvements	201,393,606	1,630,604	22,471	203,001,739
Equipment	21,170,959	703,030	114,889	21,759,100
Land Improvements	<u>8,013,498</u>	<u>19,026</u>	<u>-</u>	<u>8,032,524</u>
Total capital assets being depreciated	<u>230,578,063</u>	<u>2,352,660</u>	<u>137,360</u>	<u>232,793,363</u>
Total capital assets	<u>234,880,631</u>	<u>7,346,035</u>	<u>567,272</u>	<u>241,659,394</u>
Less accumulated depreciation:				
Buildings and improvements	88,694,165	6,595,306	13,033	95,276,438
Equipment	15,342,882	822,639	109,094	16,056,427
Land improvements	<u>2,455,484</u>	<u>134,432</u>	<u>-</u>	<u>2,589,916</u>
Total accumulated depreciation	<u>106,492,531</u>	<u>7,552,377</u>	<u>122,127</u>	<u>113,922,781</u>
Total capital assets net of depreciation	<u>\$ 128,388,100</u>	<u>\$ (206,342)</u>	<u>\$ 445,145</u>	<u>\$ 127,736,613</u>

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Long-Term Liabilities

Article IX, Section 11 of the New Mexico Constitution limits the powers of a school district to incur general obligation debt beyond a school year. The District can incur such debt for "the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes." The approval of the debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the District.

The District issued General Obligation School Building Bonds on April 15, 2010, in the amount of \$20,000,000 with staggered maturity dates. The last maturity date is April 15, 2026.

The District issued General Obligation School Building Bonds on September 15, 2010, in the amount of \$8,000,000 with staggered maturity dates. The last maturity date is September 15, 2028. This bond was paid off during the current fiscal year.

The District issued General Obligation School Building Bonds on December 10, 2013 in the amount of \$9,000,000 with staggered maturity dates. The last maturity date is July 15, 2023.

The District issued General Obligation School Building Bonds on December 16, 2014 in the amount of \$9,000,000 with staggered maturity dates. The last maturity date is September 15, 2028.

The District issued General Obligation School Building Bonds on December 16, 2014 in the amount of \$17,500,000 with staggered maturity dates. The last maturity date is September 15, 2023.

The District issued General Obligation School Building Bonds on May 24, 2015 in the amount of \$7,000,000 with staggered maturity dates. The last maturity date is September 15, 2025.

The District issued General Obligation School Building Bonds on August 24, 2016 in the amount of \$7,615,000. The last maturity date is September 15, 2028.

The follow schedule shows the District's combined annual debt service requirement to maturity for long term debt as of June 30, 2019.

Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	4,615,000	1,834,525	6,449,525
2021	5,395,000	1,642,800	7,037,800
2022	4,970,000	1,429,600	6,399,600
2023	5,365,000	1,217,188	6,582,188
2024-2029	<u>28,595,000</u>	<u>2,833,425</u>	<u>31,428,425</u>
	<u>\$ 48,940,000</u>	<u>\$ 8,957,538</u>	<u>\$ 57,897,538</u>

STATE OF NEW MEXICO
Hobbs Municipal School District #33 Management's
Discussion and Analysis
For the Year Ended June 30, 2019
Unaudited

Agency Funds

The District, as a custodian, maintains and monitors special funds on behalf of the schools and various school activity groups. Agency funds maintained by the School District are to benefit a specific activity or interest and are generally raised by students for student use.

While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with New Mexico Public Education Department Regulations and School District Policy. The Statement of Fiduciary Net Position for the year ended June 30, 2019, shows the accumulated assets of all agency funds was \$1,218,543 and accumulated assets of the fiduciary Eagle Trust of \$54,691.

Future trends

The Economy and Public School Funding: Hobbs has seen growth in the past year of over 200 students and is expecting potential growth of another 200 students in 19-20. This growth is due to the growth in the economy, which is expected to continue. This growth is the primary reason for more housing to be developed and an increased overall population. This growth is also the reason that the district will go out for a \$30 million bond election in 19-20 to help build a career technical education campus. We expect SEG, which is the primary funding source to continue to increase as our membership increases.

More information regarding the District is available at www.hobbsschools.net.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
STATEMENT OF NET POSITION
June 30, 2019

	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 22,638,180
Investments	3,192,924
Receivables	
Property taxes	385,992
Oil and gas taxes	1,204,713
Due from other governments	4,157,632
Other	130,391
Inventory	<u>421,890</u>
Total current assets	32,131,722
Noncurrent assets	
Capital assets	241,659,394
Less: accumulated depreciation	<u>(113,922,781)</u>
Total noncurrent assets	<u>127,736,613</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	56,959,373
Deferred outflows related to other postemployment benefits (OPEB)	<u>1,004,267</u>
Total deferred outflows of resources	<u>57,963,640</u>
Total assets and deferred outflows	<u><u>\$ 217,831,975</u></u>

The accompanying notes are an integral part of these financial statements.

	Primary Government Governmental Activities
LIABILITIES	
Current liabilities	
Accounts payable	\$ 1,766,238
Accrued payroll	3,106,723
Accrued interest	727,866
Accrued compensated absences	206,438
Current portion of bonds payable	4,615,000
Total current liabilities	<u>10,422,265</u>
Noncurrent liabilities	
Accrued compensated absences	191,950
Bonds payable	44,325,000
Bond premium, net of accumulated amortization of \$2,366,478	2,860,712
Net pension liability	199,829,061
Net OPEB liability	47,916,261
Total noncurrent liabilities	<u>295,122,984</u>
Total liabilities	<u>305,545,249</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to bond refunding	1,252,635
Deferred inflows related to pensions	4,762,425
Deferred inflows related to OPEB	16,569,976
Total deferred inflows	<u>22,585,036</u>
NET POSITION	
Net invested in capital assets	79,066,761
Restricted for:	
Debt service	4,228,742
Capital projects	2,155,270
Other purposes - special revenue	630,093
Unrestricted	<u>(196,379,176)</u>
Total net position	<u>(110,298,310)</u>
Total liabilities, deferred inflows and net position	<u>\$ 217,831,975</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Instruction	\$ 74,724,257	\$ 277,436	\$ 5,734,885	\$ -
Support services - students	11,731,307	-	1,604,237	-
Support services - instruction	3,401,084	-	10,442	-
Support services - general admin.	1,441,093	-	95,570	-
Support services - school admin.	6,956,344	-	372,216	-
Central services	2,411,639	-	47,925	-
Operation and maintenance of plant	9,779,085	-	15,811	-
Student transportation	2,453,666	-	2,327,749	-
Food service operations	6,059,304	607,583	3,219,034	-
Facilities acquisition and construction	10,699,132	-	-	224,941
Interest and other charges	1,287,942	-	-	-
Total primary government	<u>\$ 130,944,853</u>	<u>\$ 885,019</u>	<u>\$ 13,427,869</u>	<u>\$ 224,941</u>

General Revenues:

Property taxes levied for:
General purposes
Capital projects
Debt service
Oil and gas taxes
State equalization guarantee
Investment income
Miscellaneous income
Loss on capital assets
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenue and
Changes in Net Position**

Primary Government

**Governmental
Activities**

\$	(68,711,936)
	(10,127,070)
	(3,390,642)
	(1,345,523)
	(6,584,128)
	(2,363,714)
	(9,763,274)
	(125,917)
	(2,232,687)
	(10,474,191)
	(1,287,942)
	<u>(116,407,024)</u>

	390,211
	5,969,266
	4,454,955
	8,079,315
	71,853,322
	233,945
	881,319
	(15,233)
	<u>91,847,100</u>

(24,559,924)

(85,738,386)

\$ (110,298,310)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Title I IASA	IDEA B Entitlement	Debt Service
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 11,182,238	\$ 280,846	\$ -	\$ 7,503,767
Investments	2,963,485	-	-	226,772
Accounts receivable				
Taxes	70,076	-	-	611,551
Due from other governments	31,169	862,394	1,508,805	-
Interfund receivables	5,206,125	1,116,229	-	-
Other	105,139	-	-	-
Inventory	357,296	-	-	-
<i>Total assets</i>	<u>\$ 19,915,528</u>	<u>\$ 2,259,469</u>	<u>\$ 1,508,805</u>	<u>\$ 8,342,090</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	\$ 93,445	\$ 215	\$ -	\$ -
Accrued expenses	2,795,447	59,840	18,296	-
Interfund payables	125,998	2,201,327	1,579,053	-
<i>Total liabilities</i>	<u>3,014,890</u>	<u>2,261,382</u>	<u>1,597,349</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - delinquent property taxes	1,017	-	-	25,376
<i>Total deferred inflows of resources</i>	<u>1,017</u>	<u>-</u>	<u>-</u>	<u>25,376</u>
<i>Fund balances</i>				
Fund Balance:				
Nonspendable				
Inventory	357,296	-	-	-
Spendable				
Restricted for:				
Transportation	15,578	-	-	-
Instructional materials	286,901	-	-	-
Food services	-	-	-	-
Education	-	-	-	-
Extracurricular activities	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	8,316,714
Committed for:				
Subsequent year's expenditures	6,000,000	-	-	-
Unassigned	10,239,846	(1,913)	(88,544)	-
<i>Total fund balances</i>	<u>16,899,621</u>	<u>(1,913)</u>	<u>(88,544)</u>	<u>8,316,714</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 19,915,528</u>	<u>\$ 2,259,469</u>	<u>\$ 1,508,805</u>	<u>\$ 8,342,090</u>

The accompanying notes are an integral part of these financial statements.

Exhibit B-1
(Page 1 of 2)

Other Governmental Funds	Total Governmental Funds
\$ 3,671,329 2,667 909,079 1,755,264 762,171 25,252 64,594 <hr style="width: 100%;"/> \$ 7,190,356 <hr style="width: 100%;"/>	\$ 22,638,180 3,192,924 1,590,706 4,157,632 7,084,525 130,391 421,890 <hr style="width: 100%;"/> \$ 39,216,248 <hr style="width: 100%;"/>
\$ 1,672,578 233,140 3,178,147 <hr style="width: 100%;"/> 5,083,865 <hr style="width: 100%;"/>	\$ 1,766,238 3,106,723 7,084,525 <hr style="width: 100%;"/> 11,957,486 <hr style="width: 100%;"/>
<hr style="width: 100%;"/> 39,857 <hr style="width: 100%;"/> 39,857 <hr style="width: 100%;"/>	<hr style="width: 100%;"/> 66,250 <hr style="width: 100%;"/> 66,250 <hr style="width: 100%;"/>
64,594 - - - 120,968 86,218 2,385,528 - - (590,674) <hr style="width: 100%;"/> 2,066,634 <hr style="width: 100%;"/>	421,890 15,578 286,901 - 120,968 86,218 2,385,528 8,316,714 6,000,000 9,558,715 <hr style="width: 100%;"/> 27,192,512 <hr style="width: 100%;"/>
\$ 7,190,356 <hr style="width: 100%;"/>	\$ 39,216,248 <hr style="width: 100%;"/>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
GOVERNMENTAL FUNDS

Exhibit B-1
 (Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

	District
Fund balances - total governmental funds	\$ 27,192,512
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	127,736,613
Deferred outflows of resources related to pensions and OPEB are not financial resources, and, therefore, are not reported in the funds	57,963,640
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	66,250
Other liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(727,866)
Bond premium liability (net of amortization)	(2,860,712)
Long-term liabilities, including bonds payable, bond deposit, net pension liability, net OPEB liability, and compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statement	(297,083,711)
Deferred inflows of resources related to pensions, OPEB, and bond refunding are not financial resources, and therefore, are not reported in the fund	(22,585,036)
Net Position of Governmental Activities in the Statement of Net Position	\$ (110,298,310)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Title I IASA	IDEA B Entitlement	Debt Service
<i>Revenues:</i>				
Taxes - property	\$ 394,590	\$ -	\$ -	\$ 4,514,005
Taxes - oil and gas	366,173	-	-	3,319,012
Federal flowthrough	60,486	1,541,191	1,700,399	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	72,329,466	-	-	-
Transportation distribution	2,284,562	-	-	-
Charges for services	23,780	-	-	-
Investment income	226,523	-	-	4,916
Miscellaneous	399,203	-	-	155,330
<i>Total revenues</i>	<u>76,084,783</u>	<u>1,541,191</u>	<u>1,700,399</u>	<u>7,993,263</u>
<i>Expenditures:</i>				
Current:				
Instruction	48,941,483	1,444,235	1,127,904	-
Support services - students	7,050,740	-	293,194	-
Support services - instruction	2,521,554	-	-	-
Support services - general admin.	967,909	29,330	32,747	45,387
Support services - school admin.	4,652,805	64,699	246,554	-
Central services	1,692,587	-	-	-
Operation and maintenance of plant	6,312,574	-	-	-
Student transportation	2,341,629	-	-	-
Food service operations	8,753	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service				
Principal	-	-	-	5,175,000
Interest	-	-	-	1,989,325
<i>Total expenditures</i>	<u>74,490,034</u>	<u>1,538,264</u>	<u>1,700,399</u>	<u>7,209,712</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,594,749</u>	<u>2,927</u>	<u>-</u>	<u>783,551</u>
<i>Net changes in fund balances</i>	1,594,749	2,927	-	783,551
<i>Fund balances - beginning of year</i>	<u>15,304,872</u>	<u>(4,840)</u>	<u>(88,544)</u>	<u>7,533,163</u>
<i>Fund balances - end of year</i>	<u>\$ 16,899,621</u>	<u>\$ (1,913)</u>	<u>\$ (88,544)</u>	<u>\$ 8,316,714</u>

The accompanying notes are an integral part of these financial statements.

Exhibit B-2
(Page 1 of 2)

Other Governmental Funds	Total Governmental Funds
\$ 6,018,751	\$ 10,927,346
4,394,130	8,079,315
4,947,345	8,249,421
1,276,049	1,276,049
3,700	3,700
1,362,933	73,692,399
-	2,284,562
861,240	885,020
2,507	233,946
326,788	881,321
19,193,443	106,513,079
3,154,043	54,667,665
1,293,585	8,637,519
5,982	2,527,536
91,250	1,166,623
53,723	5,017,781
44,004	1,736,591
2,209,596	8,522,170
58,426	2,400,055
5,097,743	5,106,496
10,420,986	10,420,986
-	5,175,000
-	1,989,325
22,429,338	107,367,747
(3,235,895)	(854,668)
(3,235,895)	(854,668)
5,302,529	28,047,180
\$ 2,066,634	\$ 27,192,512

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Exhibit B-2
(Page 2 of 2)

Amounts reported for governmental activities in the Statement of
Activities are different because:

	District
Net change in fund balances - total governmental funds	\$ (854,668)
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures	6,916,123
Depreciation expense	(7,552,377)
Disposal of capital assets	(15,233)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	(112,914)
Accounts receivable from other governments not reported as revenue in the prior year on a modified accrual basis	
Accrued compensated absences not due and payable	(69,273)
Bond refunding	203,509
Bond premiums	497,874
Principal payments on bonds	5,175,000
Expense reported in the governmental funds which require the use of current resources, but are recorded as deferred inflows on the Statement of Activities since they will be recognized in a different period	(28,747,965)
Change in Net Position of Governmental Activities in the Statement of Activities	\$ (24,559,924)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
GENERAL FUND

Exhibit C-1
 (Page 1 of 2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 312,371	\$ 312,371	\$ 392,083	\$ 79,712
Taxes - oil and gas	255,576	255,576	363,126	107,550
Federal flowthrough	30,000	30,000	60,486	30,486
State flowthrough	70,697,285	73,053,649	72,200,659	(852,990)
Transportation distribution	2,265,053	2,285,904	2,284,562	(1,342)
Charges for services	7,000	7,000	23,780	16,780
Investment income	15,000	15,000	226,523	211,523
Miscellaneous	50,000	50,000	399,203	349,203
<i>Total revenues</i>	<u>73,632,285</u>	<u>76,009,500</u>	<u>75,950,422</u>	<u>(59,078)</u>
<i>Expenditures:</i>				
Current:				
Instruction	52,641,880	54,023,429	49,118,079	4,905,350
Support services - students	7,021,902	7,261,902	7,060,106	201,796
Support services - instruction	2,730,636	2,780,636	2,521,554	259,082
Support services - general admin.	860,855	995,670	969,607	26,063
Support services - school admin.	4,497,761	4,747,761	4,651,735	96,026
Central services	1,666,423	1,736,423	1,696,871	39,552
Operation and maintenance of plant	6,887,775	6,992,803	6,410,715	582,088
Student transportation	2,265,053	2,387,245	2,341,629	45,616
Other support services	60,000	54,972	-	54,972
Food service operations	-	30,000	8,753	21,247
<i>Total expenditures</i>	<u>78,632,285</u>	<u>81,010,841</u>	<u>74,779,049</u>	<u>6,231,792</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000,000)</u>	<u>(5,001,341)</u>	<u>1,171,373</u>	<u>6,172,714</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
GENERAL FUND

Exhibit C-1
 (Page 2 of 2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
<i>Excess (deficiency) of revenues over expenditures</i>	(5,000,000)	(5,001,341)	1,171,373	6,172,714
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	5,000,000	5,001,341	-	(5,001,341)
Reversion to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	5,000,000	5,001,341	-	(5,001,341)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	1,171,373	1,171,373
<i>Fund balances - beginning of year</i>	-	-	20,331,592	20,331,592
<i>Prior period adjustments</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 21,502,965	\$ 21,502,965
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 1,594,749	
(Increase) decrease in accounts receivable			(129,983)	
(Increase) decrease in inventory			(27,955)	
Increase (decrease) in accounts payable			(261,060)	
Increase (decrease) in deferred inflows			(4,378)	
Change in fund balance - budgetary basis			\$ 1,171,373	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
TITLE I IASA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ 1,789,456	\$ 1,789,456	\$ 1,336,252	\$ (453,204)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,789,456</u>	<u>1,789,456</u>	<u>1,336,252</u>	<u>(453,204)</u>
<i>Expenditures:</i>				
Current:				
Instruction	1,665,994	1,665,994	1,447,376	218,618
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general admin.	42,957	42,957	29,332	13,625
Support services - school admin.	80,505	80,505	64,485	16,020
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	<u>1,789,456</u>	<u>1,789,456</u>	<u>1,541,193</u>	<u>248,263</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(204,941)</u>	<u>(204,941)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>(204,941)</u>	<u>(204,941)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(518,307)</u>	<u>(518,307)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (723,248)</u>	<u>\$ (723,248)</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 2,927	
(Increase) decrease in accounts receivable			(204,939)	
Increase (decrease) in accounts payable			<u>(2,929)</u>	
Change in fund balance - budgetary basis			<u>\$ (204,941)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
ENTITLEMENT IDEA-B SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ 3,523,547	\$ 4,306,727	\$ 1,231,560	\$ (3,075,167)
Federal direct	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,523,547</u>	<u>4,306,727</u>	<u>1,231,560</u>	<u>(3,075,167)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,952,939	2,736,119	1,127,905	1,608,214
Support services - students	1,091,796	1,091,796	293,193	798,603
Support services - instruction	-	-	-	-
Support services - general administration	7,000	37,000	32,747	4,253
Support services - school administration	411,812	381,812	246,554	135,258
Central services	60,000	60,000	-	60,000
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	<u>3,523,547</u>	<u>4,306,727</u>	<u>1,700,399</u>	<u>2,606,328</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(468,839)</u>	<u>(468,839)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
Permanent transfers to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>(468,839)</u>	<u>(468,839)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(1,037,693)</u>	<u>(1,037,693)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,506,532)</u>	<u>\$ (1,506,532)</u>
Change in fund balance - GAAP Basis			\$ -	
(Increase) decrease in accounts receivable			<u>(468,839)</u>	
Change in fund balance - budgetary basis			<u>\$ (468,839)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
STATEMENT OF FIDUCIARY NET POSITION AND ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2019

Exhibit D-1

	Eagle Trust	Agency Funds
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 54,691	\$ 713,723
Investments	-	504,820
<i>Total assets</i>	\$ 54,691	\$ 1,218,543
 LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	\$ -	\$ -
Due to Operational from Nutritional Services - Banquets	-	32,482
Due to student organizations	-	1,186,061
<i>Total liabilities</i>	-	1,218,543
 NET POSITION		
Restricted for other purposes	54,691	-
<i>Total net position</i>	54,691	-
<i>Total liabilities and net position</i>	\$ 54,691	\$ 1,218,543

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019

Exhibit D-2

	Eagle Trust
ADDITIONS	
Donations	\$ <u>7,288</u>
<i>Total additions</i>	<u>7,288</u>
DEDUCTIONS	
Supplies and materials	<u>-</u>
<i>Total deductions</i>	<u>-</u>
<i>Change in net position</i>	7,288
<i>Total beginning net position</i>	<u>7,878</u>
<i>Prior period restatement due to cash reclassification (Note 21)</i>	39,525
<i>Beginning net position as restated</i>	<u>47,403</u>
<i>Total ending net position</i>	\$ <u><u>54,691</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies

Hobbs Municipal School District #33 (the District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the City of Hobbs. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources.

The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates seventeen schools within the District with a total enrollment of approximately 9,876 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the District provides transportation and school food services for the students.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Hobbs Municipal School District #33's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. *Financial reporting entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units for inclusion or exclusion from the reporting entity is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion in the reporting entity.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial reporting entity (continued)*

Based upon the application of these criteria, the Eagle Trust Fund is not a component unit of the District, as defined by GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, and is presented as an agency fund in the Statement of Fiduciary Net Position, and Statement of Changes in Fiduciary Net Position. The Trust does not issue separate financial statements.

B. *Implementation of new accounting principles*

During fiscal year 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve consistency in the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Government-wide and fund financial statements*

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – Net investment in capital assets, restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function like the sale of lunch tickets and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function like state and federal grants. Taxes, state equalization, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the Transportation Fund, which is used to account for the State Equalization received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the Instructional Materials Fund, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

The special revenue fund Title I IASA (24101) is used to account for the revenues and expenditures of the Title I program which is used to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

The special revenue fund *Entitlement IDEA-B* (24106) is used to account for a program funded by a Federal grant to assist the Schools in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C.1411-1420.

The *Debt Service Fund* (41000) is used to account for financial resources accumulated and payments made for principal and interest on long-term general obligation of governmental funds. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following Fiduciary funds:

The *Agency Funds* account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

The *Eagle Trust Fund* accounts for assets held by the District in a fiduciary capacity used to account for donations and charitable contributions received for the purpose of providing scholarships to eligible graduates of the District and for the general support of the Hobbs Municipal School District.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements except for indirect costs. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity*

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (continued)*

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Lea County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Lea County Treasurer in July and August 2019 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a Phase II government for purposes of implementing GASB Statement No. 34. The District does not have any infrastructure.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (continued)*

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Equipment	5-20
Land improvements	5-20

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Deferred Outflows of Resources: The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District following items qualify for reporting in this category on the government-wide statement of net position; these are the District’s contributions subsequent to the measurement date of the collective net pension and OPEB liability and before the end of the employer’s reporting period, the change in the District’s proportion of the net pension and OPEB liability in the relation to other school districts in New Mexico and the change in proportion after reallocation of inactive employers.

Deferred Inflows of Resources: The District’s governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has items, of which, deferred property taxes and unavailable grant revenue, arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the items, deferred property taxes and deferred federal or state grants, are reported in the governmental funds balance sheet. Additional items, the net difference between projected and actual investment earnings on pension plan investments and OPEB plan investments and the differences between expected and actuarial experience related to the pension plan and OPEB plan are also deferred inflows. These amounts will be amortized and recognized in future years. The last item, the net difference between the reacquisition price and the net carrying amount of the refunded debt are also deferred inflows.

Compensated Absences: The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employee’s summer payroll.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (continued)

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: The District has implemented GASB Statement No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2019 the nonspendable fund balances in the general fund and food service fund are made up of inventory in the amounts of \$357,296 and \$64,594, respectively, that are not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$509,665 for providing transportation, instructional materials, food services, education, and extracurricular activities to the students of the District, \$2,385,528 for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, \$8,316,714 for the payment of principal and interest of the future debt service requirements, and \$6,000,000 for subsequent years expenditures.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (continued)*

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, capital projects, and debt service" are described on pages 40-41 and 91-93.
- c. Unrestricted Net Position: All other net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives and the current portion of accrued compensated absences.

F. *Revenues*

State Equalization Guarantee: School districts in the State of New Mexico receive a state equalization guarantee distribution which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs."

A school district's program costs are determined through the use of various formulas using program units which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$71,853,322 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered measurable and available in the governmental fund financial statements. The District recognized \$10,927,346 in property tax revenues in the governmental fund financial statements during the year ended June 30, 2019. The District also recognized \$8,079,315 in oil and gas tax revenues in the governmental fund financial statements during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

F. *Revenues (continued)*

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$2,284,562 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. The District received \$363,505 in instructional materials revenue from the State for the year ended June 30, 2019.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

Public School Capital Outlay: The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate educational program per Section 22-24- 4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

The District did not receive state flow-through capital outlay funds for the year ended June 30, 2019.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operates under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 1. Summary of Significant Accounting Policies (continued)

G. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deduction from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements affecting the District. Accordingly, the District did not have any tax abatements affecting the District for the year ended June 30, 2019.

I. *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

Actual expenditures may not exceed the budget at the function (or "series") level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from the Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits a District from exceeding budgetary control at the function level.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The appropriated budget for the year ended June 30, 2019, was properly amended by the District's Board of Education throughout the year. These amendments resulted in the following changes to the budgets:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted funds:		
General Fund	\$ (5,000,000)	\$ (5,001,341)
Title I IASA Special Revenue Fund	\$ -	\$ -
IDEA B Entitlement Special Revenue Fund	\$ -	\$ -
Debt Service Fund	\$ -	\$ (6,058,635)
Other Governmental Funds	\$ (130,464)	\$ (4,593,872)

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule I in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$25,234,254 of the District's bank balance of \$26,484,254 was subject to custodial credit risk. \$24,761,902 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$472,352 of the District's deposits was uninsured and uncollateralized at June 30, 2019.

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 17,035,692	\$ 8,055,330	\$ 1,393,232	\$ 26,484,254
FDIC coverage	<u>750,000</u>	<u>250,000</u>	<u>250,000</u>	<u>1,250,000</u>
Total uninsured public funds	16,285,692	7,805,330	1,143,232	25,234,254
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	<u>15,397,237</u>	<u>6,868,677</u>	<u>2,495,988</u>	<u>24,761,902</u>
Uninsured and uncollateralized	<u>\$ 888,455</u>	<u>\$ 936,653</u>	<u>\$ (1,352,756)</u>	<u>\$ 472,352</u>
Collateral requirement (50% of uninsured public funds)	4,324,983	3,902,665	571,616	8,799,264
Collateral requirement for repurchase agreement - 102%	7,788,442	-	-	7,788,442
Pledged securities	<u>15,397,237</u>	<u>6,868,677</u>	<u>2,495,988</u>	<u>24,761,902</u>
Over (under) collateralization	<u>\$ 3,283,812</u>	<u>\$ 2,966,012</u>	<u>\$ 1,924,372</u>	<u>\$ 8,174,196</u>

The collateral pledged is listed on Schedule I on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico, or revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the District for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2019, the District’s investment balances were exposed to custodial credit risk as follows:

<u>Overnight Repurchase Agreements</u>	Lea County State Bank	Total
Total amount of investments	\$ 7,635,727	\$ 7,635,727
FDIC coverage	-	-
Total uninsured public funds	7,635,727	7,635,727
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	7,635,727	7,635,727
Uninsured and uncollateralized	\$ -	\$ -
Collateral requirement (102% of uninsured - repurchase)	\$ 7,788,442	\$ 7,788,442
Pledged securities	9,002,481	9,002,481
Over (under) collateralization	\$ 1,214,039	\$ 1,214,039

The New Mexico Local Government Investment Pool’s (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. At June 30, 2019, the New Mexico LGIP was rated at AAAm and had a 35 day WAM (R) and 112 day WAM (F).

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

As of June 30, 2019, the District had the following investments and maturities:

<u>Investments</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Rating***</u>
New Mexico Local Government Investment Pool	50 days	\$ 478,719	AAAm
Negotiable Certificates of Deposit*	1 year	256,560	Unrated
Wells Fargo Money Market Mutual Funds**	< 1 year	<u>2,962,465</u>	AAAm
		\$ 3,697,744	
	Less: agency investments		
	New Mexico LGIP	<u>(504,820)</u>	
	Total investments per Exhibit B-1	<u>\$ 3,192,924</u>	

* Subject to FDIC coverage

** Wells Fargo Money Market Mutual Fund Account consist of U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations

*** Based off Standard & Poor's rating

The investments are listed on Schedule II of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule. At June 30, 2019, the District held negotiable Certificates of Deposits in agency funds in the amount of \$256,560 and reported them in investments at Exhibit D-1.

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in the Negotiable Certificates of Deposits and Wells Fargo Money Market Mutual Funds represent 10% and 90% of the District's investment portfolio. Since the District only purchases investment with high credit ratings, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Pooled Accounts

The District utilized internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheets as of June 30, 2019. Funds 24101 through 25153 are federal funds and 27107 through 28189 are nonfederal.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 3. Deposits and Investments (continued)

The following individual funds had negative cash balance as of June 30, 2019.

24101	Title I IASA	\$ (831)
24106	Entitlement IDEA-B	(769,880)
24109	Preschool IDEA-B	(40,809)
24118	Fresh Fruits & Vegetables	(12,632)
24119	21st Centry Community Learning Centers	(264,090)
24149	Enhancing Ed Thru Tech	(7,524)
24154	Teacher/Principal Training and Recruiting	(41)
24162	Title I School Improvement	(2)
24176	Carl D. Perkins-Redistribution	(1,920)
24189	Student Support Grads	(18,500)
25153	Title XIX - Medicaid	(77,711)
26109	JF Maddox Foundation	(40,812)
27107	Public Library Award	(5,982)
27114	Reads to Lead K-3 Reading Initiative	(78,978)
27166	Kindergarten-Three Plus	(106,484)
31700	SB-9 Capital Improvement	(217,241)
		<u>\$ (1,643,437)</u>

Reconciliation to the Statement of Net Position

The carrying amounts of deposits shown above are included in the District's statement of net position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 22,638,180
Investments per Exhibit A-1	3,192,924
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	768,414
Investments - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	<u>504,820</u>
 Total cash, cash equivalents, and investments	 <u>27,104,338</u>
Add: outstanding items	2,821,100
Add: Agency investments held in Certificates of Deposits	256,560
Less: investments held in Certificates of Deposits	(256,560)
Less: investments held in New MexiGROW LGIP	(478,719)
Less: investments held in Wells Fargo Money Market Mutual Funds	<u>(2,962,465)</u>
 Bank balance of deposits	 <u>\$ 26,484,254</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2019, are as follows:

	General Fund	Title I IASA	IDEA B Entitlement
Property tax receivable	\$ 12,220	\$ -	\$ -
Oil and gas tax receivable	57,856	-	-
Due from other governments:			
Federal sources	-	862,394	1,508,806
Other receivables	<u>105,139</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 175,215</u>	<u>\$ 862,394</u>	<u>\$ 1,508,806</u>

	Debt Service	Other Governmental Funds	Total
Property tax receivable	\$ 158,972	\$ 214,800	\$ 385,992
Oil and gas tax receivable	452,579	694,278	1,204,713
Due from other governments:			
Federal sources	-	1,786,432	4,157,632
Other receivables	<u>-</u>	<u>25,252</u>	<u>130,391</u>
Totals	<u>\$ 611,551</u>	<u>\$ 2,720,762</u>	<u>\$ 5,878,728</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$66,250 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements. At fiscal year end June 30, 2019, there were no grant revenues that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 5. Interfund Receivables, Payables, and Transfers

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2019 is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
11000 General Fund	\$ 5,206,125	\$ 125,998
21000 Food Service	-	588,932
24101 Title I IASA	1,116,229	2,201,327
24106 Entitlement IDEA-B	-	1,579,053
24109 Preschool IDEA-B	1,110	40,809
24118 Fresh Fruits & Vegetables	12,632	12,632
24119 21st Century Community Learning Centers	8,568	389,059
24153 English Language Acquisition	7,184	111,217
24154 Teacher/Principal Training & Recruiting	5,138	328,720
24174 Carl D Perkins Secondary - Current	3,500	27,062
24176 Carl D Perkins Secondary - Redistribution	1,013	1,920
24189 Student Support - Grads	18,500	18,500
24193 Direct Student Services	-	60,762
25153 Title XIX Medicaid	-	312,726
26109 J.F. Maddox Foundation	43,440	72,388
26215 Bridge for Southern New Mexico	40,812	-
27106 2010 GO Bond Student Library	-	10,000
27107 2012 GO Bond Public School Library	-	5,982
27114 New Mexico Reads to Lead	2,082	78,978
27149 Pre-K Initiative	-	193,525
27166 Kindergarten Three Plus	-	106,484
27181 Stem Programs	191,444	265,706
27183 NM Growth FW	-	12,632
27185 Next Generation Assessments	-	69,000
27198 K 4-5 Plus	-	36,355
28191 Start Smart K-3 Utah State University	-	26,975
31600 Capital Improvements HB-33	-	186,542
31701 Capital Improvements SB-9 Local	426,748	221,241
	<hr/>	<hr/>
Total	\$ <u>7,084,525</u>	\$ <u>7,084,525</u>

All interfund balances are intended to be repaid within one year.

The District did not have any operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 6. Capital Assets

A summary of capital assets and changes for the District occurring during the year ended June 30, 2019 follows:

Hobbs Municipal School District #33	Balance June 30, 2018	Additions and Transfers in	Deletions and Transfers out	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 3,988,738	\$ -	\$ -	\$ 3,988,738
Construction in progress	<u>313,830</u>	<u>4,993,375</u>	<u>429,912</u>	<u>4,877,293</u>
Total capital assets not being depreciated	<u>4,302,568</u>	<u>4,993,375</u>	<u>429,912</u>	<u>8,866,031</u>
Capital assets being depreciated:				
Buildings and improvements	201,393,606	1,630,604	22,471	203,001,739
Equipment	21,170,959	703,030	114,889	21,759,100
Land Improvements	<u>8,013,498</u>	<u>19,026</u>	<u>-</u>	<u>8,032,524</u>
Total capital assets being depreciated	<u>230,578,063</u>	<u>2,352,660</u>	<u>137,360</u>	<u>232,793,363</u>
Total capital assets	<u>234,880,631</u>	<u>7,346,035</u>	<u>567,272</u>	<u>241,659,394</u>
Less accumulated depreciation:				
Buildings and improvements	88,694,165	6,595,306	13,033	95,276,438
Equipment	15,342,882	822,639	109,094	16,056,427
Land improvements	<u>2,455,484</u>	<u>134,432</u>	<u>-</u>	<u>2,589,916</u>
Total accumulated depreciation	<u>106,492,531</u>	<u>7,552,377</u>	<u>122,127</u>	<u>113,922,781</u>
Total capital assets net of depreciation	<u>\$ 128,388,100</u>	<u>\$ (206,342)</u>	<u>\$ 445,145</u>	<u>\$ 127,736,613</u>

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and programs of the primary government:

Instruction	\$ 294,588
Support services - students	840
Support services - instruction	761
Operation and maintenance of plant	10,154
Other Support Services	30,991
Food service operations	3,314
Capital Outlay	<u>7,211,729</u>
Total depreciation expense	<u>\$ 7,552,377</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 6. Capital Assets (continued)

The District has active construction projects as of June 30, 2019. The projects include renovations and improvements to existing school buildings and grounds. A portion of the outstanding projects is funded by payments made directly to contractors by the Public School Facilities Authority (PSFA). The PSFA was created by Laws 2003, Chapter 147, Section 13, pursuant to the Public School Capital Outlay Act as codified in Section 22-24-9 NMSA 1978 to assist in identifying and funding all outstanding deficiencies in public schools and grounds that may adversely affect the health or safety of students and school personnel.

NOTE 7. Long-term Debt

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2019 are for governmental activities.

Bond outstanding at June 30, 2019 are comprised on the following:

	<u>Series 2010</u>	<u>Series 2013</u>
Original issue:	\$20,000,000	\$9,000,000
Principal:	April 15	July 15
Interest:	April 15	July 15
	October 15	January 15
Interest rates:	2.750%-4.000%	2.500%-3.000%
Maturity date:	April 2026	July 2023
	<u>Series 2014A</u>	<u>Series 2014 B</u>
Original issue:	\$9,000,000	\$17,055,000
Principal:	September 15	September 15
Interest:	September 15	September 15
	March 15	March 15
Interest rates:	3.000%-5.000%	2.000%-5.000%
Maturity date:	September 2028	September 2023
	<u>Series 2015</u>	<u>Series 2016</u>
Original issue:	\$7,000,000	\$7,615,000
Principal:	September 15	September 15
Interest:	September 15	September 15
	March 15	March 15
Interest rates:	2.000%-3.500%	1.000%-2.500%
Maturity date:	September 2025	September 2028

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2010	14,500,000	-	2,000,000	12,500,000	1,250,000
General Obligation Bond Series 2010A	100,000	-	100,000	-	
General Obligation Bond Series 2013	5,400,000	-	900,000	4,500,000	900,000
General Obligation Bond Series 2014A	9,000,000	-	-	9,000,000	
General Obligation Bond Series 2014B	13,180,000	-	1,620,000	11,560,000	1,700,000
General Obligation Bond Series 2015	4,480,000	-	495,000	3,985,000	605,000
General Obligation Bond Series 2016	<u>7,455,000</u>	<u>-</u>	<u>60,000</u>	<u>7,395,000</u>	<u>160,000</u>
Total Bonds	54,115,000	-	5,175,000	48,940,000	4,615,000
Compensated absences	<u>329,115</u>	<u>275,711</u>	<u>206,438</u>	<u>398,388</u>	<u>206,438</u>
Long-term liability activity	<u>\$ 54,444,115</u>	<u>\$ 275,711</u>	<u>\$ 5,381,438</u>	<u>\$ 49,338,388</u>	<u>\$ 4,821,438</u>

General obligation bonds are secured by and payable solely from the Debt Service Fund.

On August 24, 2016 the District issued \$7,615,000 in General Obligation Bonds with an average interest rate of 2.1% to advance refund \$7,200,000 Series 2010A outstanding bonds with an average interest rate of 3.2%. The net proceeds of \$7,670,176 were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for all future debt service payments on the Series 2010A bonds. As a result, \$7,200,000 of the Series 2010A bonds were defeased and removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$470,176. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2029 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next twelve years by \$348,384 and to obtain an economic gain of \$393,476.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the general obligation bonds, outstanding as of June 30, 2019, including payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	4,615,000	1,834,525	6,449,525
2021	5,395,000	1,642,800	7,037,800
2022	4,970,000	1,429,600	6,399,600
2023	5,365,000	1,217,188	6,582,188
2024-2029	<u>28,595,000</u>	<u>2,833,425</u>	<u>31,428,425</u>
	<u>\$ 48,940,000</u>	<u>\$ 8,957,538</u>	<u>\$ 57,897,538</u>

NOTE 8. Risk Management

The District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and natural disaster, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2019, there have been no claims that have exceeded insurance coverage.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2019:

Funds	
Food Service	\$ 164,445
Title I IASA	1,913
IDEA B Entitlement	88,544
IDEA B Preschool	19,751
Teacher/Principal Training & Recruiting	94,972
Direct Student Services	900
J.F. Maddox Foundation	29,062
2010 GO Bond Student Library	1,255
2012 GO Bond Public School Library	1,665
Reads to Lead K-3	87,399
New Mexico Pre-K Initiative	10,607
Kindergarten Three Plus	81,734
Stem Programs	12,355
Next Generation Assessments	5,836
K 4-5 Plus	14,420
Start Smart K-3 Utah State University Study	<u>1,679</u>
Total Funds	<u><u>\$ 616,537</u></u>

The District incurred more expenditures than revenues received in these funds in the current year. The District anticipates these fund balances will not be in a deficit state in subsequent years.

- B. Excess of expenditures over appropriations. The District did not have any funds that exceeded approved budgetary authority at the function level for the year ended June 30, 2019.

The District receives money for a Pre-K Initiative Program in the Pre-K Initiative Special Revenue Fund 27149. The money for the program is awarded to REC VII and passed through to the District via the Public Education Department (PED) of New Mexico. The District has been instructed by PED that no budget can be entered into the Operating Budget Management System (OBMS). The unfavorable variance in the amount of \$386,080, is not considered an excess of expenditures over appropriations or a finding.

- C. Excess of expenditures over available cash. The District did not have any funds in which budgeted expenditures exceeded available cash.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board

Plan Description

The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits Provided

A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Summary of Plan Provisions for Retirement Eligibility (continued)

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options

The Plan has three benefit options available.

- Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Benefit Options (continued)

- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Disability Benefit

An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA)

All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
-
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

Refund of Contributions

Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Contributions

For the fiscal years ended June 30, 2019 and 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increased Over Prior Year
2019	7-1-18 to 06-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 06-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 06-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 06-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District's paid employee and employer contributions of \$7,000,194 and \$6,527,463, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$199,829,061 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2018, the District's proportion was 1.10194%, which was a decrease of 0.53376% from its proportion measured as of June 30, 2017.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2019, the District recognized pension expense of \$37,703,810. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ -	\$ 4,318,484
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	443,941
Changes in proportion and differences between the District's contributions and proportionate share of contributions	46,568,545	-
Change in proportion after reallocation of inactive employers	3,390,634	-
District contributions subsequent to the measurement date	<u>7,000,194</u>	<u>-</u>
	<u>\$ 56,959,373</u>	<u>\$ 4,762,425</u>

The \$7,000,194 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2019	\$ 26,750,575
2020	18,152,430
2021	289,630
2022	4,119
2023	-
Thereafter	-
	<u>\$ 45,196,754</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%										
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;">Fiscal year</td> <td style="text-align: center;">2017</td> <td style="text-align: center;">2016</td> <td style="text-align: center;">2015</td> <td style="text-align: center;">2014</td> </tr> <tr> <td style="text-align: center;">Service life in years</td> <td style="text-align: center; border-top: 1px solid black;">3.35</td> <td style="text-align: center; border-top: 1px solid black;">3.77</td> <td style="text-align: center; border-top: 1px solid black;">3.92</td> <td style="text-align: center; border-top: 1px solid black;">3.88</td> </tr> </table>	Fiscal year	2017	2016	2015	2014	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	2017	2016	2015	2014							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll Growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.										

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Actuarial Assumptions (continued)

Actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount Rate

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1.00% Decrease (4.69%)	Current Discount Rate (5.69%)	1.00% Increase (6.69%)
Hobbs Municipal School District #33 proportionate share of the net pension liability \$	259,701,245	\$ 199,829,061	\$ 150,977,095

Pension Plan Fiduciary Net Position

Detailed information about the ERB’s fiduciary net position is available in the separately issued NMERB’s financial report. The reports can be found on NMERB’s Web site at https://www.nmerb.org/Annual_reports.html.

Payables to the Pension Plan

At June 30, 2019 the District had \$2,221,216 payable to the retirement plan for employee and employer contributions based on statutory rates for wages paid in or accrued for June 2019.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. Employees of the School are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Employees Covered by Benefit Terms. At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
Active Membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the fund from the District were \$1,004,267 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$47,916,261 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 1.10194% percent.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended June 30, 2019, the District recognized OPEB income of \$951,446. At June 30, 2019 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ -	\$ 7,026,246
Changes of assumptions	-	8,945,753
Net difference between projected and actual earnings on OPEB plan investments	-	597,977
District contributions subsequent to the measurement date	1,004,267	-
	\$ 1,004,267	\$ 16,569,976

Deferred outflows of resources totaling \$1,004,267 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year	
Ending June 30:	
2020	\$ (4,033,227)
2021	(4,033,227)
2022	(4,033,227)
2023	(3,316,810)
2024	(1,153,485)
Total	\$ (16,569,976)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA members
Projected payroll increases	3.25% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP- 2000 Comined Healthy Mortality

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. core fixed income	2.1%
U.S. equity – large cap	7.1%
Non U.S. – emerging markets	10.2%
Non U.S. – developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity – small/mid cap	7.1%

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
57,989,959	47,916,261	39,975,942

The following presents the net OPEB liability of the School, as well as what the School’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
40,506,040	47,916,261	53,726,041

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, no amounts were reported payable for outstanding contributions due to NMRHCA.

NOTE 12. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District’s legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 13. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Investments with the State Treasurer's Local Government Investment Pool, Certificates of Deposit and money market funds of \$3,697,745 are valued using quoted market prices (Level 1 inputs).
- General Obligation bonds of \$49 million are valued using a matrix pricing model (Level 2 inputs).

NOTE 14. Joint Powers Agreements

Agreements Between The City of Hobbs and Hobbs Municipal School District #33

Joint Use of Recreational Facilities Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The agreement is to provide for joint use of recreational facilities, such as an indoor swimming pool, gymnasium complex and handball courts owned by the District. The purpose of the agreement is to promote the physical fitness for students and promote physical fitness and community recreational opportunities for all other residents in the community.

Begin date: February 20, 1974

Ending date: For a period of five years, and thereafter as mutually agreeable by both parties

Estimated amount of project: Not applicable

Amount contributed: Approximately \$35,000

Audit responsibility: Hobbs Municipal School District #33

Fiscal agent: Not applicable

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Two Little League Baseball Fields at Jefferson Elementary Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The City and District erected two little league baseball fields at Jefferson Elementary. The agreement entails that the fields are used for sports activities sponsored by the City's Parks and Recreation Department, and for furthering athletic and recreational programs in the District.

Begin date: November 20, 1972

Ending date: As long as mutually agreeable by both parties

Estimated amount of project: Not applicable

Amount contributed: Approximately \$10,000

Audit responsibility: Hobbs Municipal School District #33

Fiscal agent: Not applicable

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Unification of Resources in the Development of Neighborhood Parks on School Land Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The District and City agree to unify their resources in the development of neighborhood parks on school land at Sanger, Mills, and Coronado Elementary schools to be used by the citizens of the City, both adults and students in enhancing community recreational programs.

Begin date: August 5, 1974

Ending date: This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties

Estimated amount of project: Not applicable

Amount contributed: Approximately \$7,500

Audit responsibility: Hobbs Municipal School District #33

Fiscal agent: Not applicable

Joint Development of Tennis Courts Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The District entered into a joint powers agreement with the City to jointly develop tennis courts on property owned by the District. The City will pay power costs for operating and maintaining lights adequate for illuminating the tennis courts for nighttime activities. The City and the District will jointly and equally bear the expenses for maintaining the tennis courts.

Begin date: December 18, 1975

Ending date: This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties

Estimated amount of project: Not applicable

Amount contributed: Approximately \$7,500

Audit responsibility: Hobbs Municipal School District #33

Fiscal agent: Not applicable

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Veteran's Memorial Complex Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is convey, transfer, and assigned to the City an undivided one-half interest of the District's rights, title and interest in specified property. The District has exclusive use of the Varsity, Junior Varsity, and Sanger fields from the beginning of the High School baseball and softball seasons until the termination of those seasons.

Begin date: July 20, 2009

Ending date: This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties

Estimated amount of project: Not Applicable

Amount contributed: Approximately \$57,500 annually

Audit responsibility: Each Participant

Fiscal agent: Not Applicable

Middle School Athletic Programs

Participants: Hobbs Municipal School District #33 and City of Hobbs

Responsible party: All participants

Description: The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is to operate football, volleyball, and basketball programs for 6th and 7th grade students. The District shall perform the necessary services toward promoting these activities in the community, which includes providing facilities for operation, equipment, hire and maintain a program coordinator and staff to service the activities, news releases, maintain daily records of activities and number of participants, and cleanliness of the facilities.

Begin date: July 1, 2011

Ending date: This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties

Estimated amount of project: Not Applicable

Amount contributed: Not Applicable

Audit responsibility: Each Participant

Fiscal agent: Not Applicable

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Lead Agency Agreement

Participants: Hobbs Municipal School District #33, City of Hobbs, County of Lea, New Mexico Junior College, City of Lovington, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District

Responsible party: All participants

Description: The District also established a joint powers agreement with several agencies for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

Begin date: November 17, 2003

Ending date: Any party can terminate participation by providing thirty days written notice

Estimated amount of project: Not Applicable

Amount contributed: Not Applicable

Audit responsibility: Each Participant

Fiscal agent: Not Applicable

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Regional Education Cooperative #7 Agreement

Participants: Regional Education Cooperative #7, Hobbs Municipal School District #33, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District

Responsible party: All participants

Description: The District has entered into a joint powers agreement with several school districts in Lea County to form the Regional Education Cooperative #7 (Cooperative). The purpose of the Cooperative is to allow each school district to receive certain federal program money for which it is eligible. The District receives money from the Cooperative for IDEA-B Entitlement and IDEA-B Preschool programs and accounts for the money in the IDEA-B Entitlement and IDEA-B Preschool Special Revenue Funds. The District also receives Medicaid reimbursements from the Cooperative. The District provides accounting services for the Cooperative and accounts for its activity in a separate deposit account. The Cooperative issues a separate, publicly available audited financial report. The audited financial report for the Cooperative may be obtained by writing to the Regional Education Cooperative #7, 315 E. Clinton, Hobbs, NM 88240.

Begin date: July 1, 2002

Ending date: A Member District must notify Regional Education Cooperative #7 of any intention to withdraw its agreement to have Regional Education Cooperative #7 serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have Regional Education Cooperative #7 serve as its fiscal agent.

Estimated amount of project: Not Applicable

Amount contributed: Approximately \$10,000

Audit responsibility: Regional Education Cooperative #7

Fiscal agent: Regional Education Cooperative #7

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Lea County Distance Education Consortium Agreement

Participants: Hobbs Municipal School District #33, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District, Lovington Municipal School District, New Mexico Junior College, College of the Southwest, Eastern New Mexico University

Responsible party: All participants

Description: The District has entered into a joint powers agreement with a group of educational institutions to form the Lea County Distance Education Consortium (Consortium). The purpose of the Consortium is to purchase and maintain a two-way interactive television network to provide educational services between each of the members.

Begin date: February 14, 1994

Ending date: As long as mutually agreeable by all parties

Estimated amount of project: Not Applicable

Amount contributed: \$19,625

Audit responsibility: Each Participant

Fiscal agent: New Mexico Junior College

Southeastern New Mexico Educational Resource Center Agreement

Participants: Hobbs Municipal School District #33, Artesia Public Schools, Eunice Public Schools, Hagerman Municipal Schools, Jal Public Schools, Lake Arthur Municipal Schools, Loving Municipal Schools, Lovington Municipal Schools, Tatum Municipal Schools, Dexter Consolidated Schools

Responsible party: All participants

Description: The District has entered into a joint powers agreement with a group consisting of public school systems in Southeastern New Mexico to form the Southeastern New Mexico Educational Resource Center (SENMERC). The purpose of SENMERC is to provide teacher training and science kits to the members' students. Pecos Valley Regional Cooperative Center #8 serves as the fiscal agent for SENMERC.

Begin date: October 11, 2001

Ending date: Any party can terminate participation by providing thirty days written notice.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 14. Joint Powers Agreements (continued)

Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)

Southeastern New Mexico Educational Resource Center Agreement (continued)

Estimated amount of project: Not Applicable

Amount contributed: \$84,732

Audit responsibility: Each Participant

Fiscal agent: Pecos Valley Regional Education Cooperative #8

Rockwind Community Links Agreement

Participants: City of Hobbs and Hobbs Municipal School District #33

Responsible party: All participants

Description: The agreement is to provide the usage, access, and participation of Hobbs High School Golf Teams at Rockwind Community Links, which is property of the City of Hobbs.

Begin date: March 17, 2015

Ending date: As long as mutually agreeable by all parties

Estimated amount of project: Not Applicable

Amount contributed: \$150,000

Audit responsibility: Each Participant

Fiscal agent: Not Applicable

NOTE 15. Commitments

The District had multiple construction projects ongoing as of the year ended June 30, 2019 that are to continue into the following fiscal year. These projects are as follows:

<u>Construction Project:</u>	<u>Project:</u>	<u>PO #</u>	<u>Contract Price</u>	<u>Paid-To-Date Expenses</u>	<u>Expected Amount To Complete</u>	<u>Expected Date Of Completion</u>
Various Exterior Doors	CES	TBD	\$ 275,000	\$ -	\$ 275,000	August 2019
Various Parking Lot Improvements	CES	TBD	250,000	-	250,000	August 2019
Southern Heights replacement	TBD	TBD	450,000	-	450,000	August 2022
CTEC Planning/Design	TBD	TBD	2,000,000	-	2,000,000	August 2022
HHS Security Fence	TBD	TBD	900,000	-	900,000	May 2020
			<u>\$ 3,875,000</u>	<u>\$ -</u>	<u>\$ 3,875,000</u>	

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 16. Concentrations

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

The District depends on financial resources flowing from, or associated with, oil and gas tax revenues. Because of this dependency, the District is subject to changes in specific flows of revenues based on the price and volume of production of oil and gas which can be volatile.

NOTE 17. Restricted Net position

The government-wide statement of net position reports \$7,014,105 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue, debt service and capital projects, see pages 40-41 and 90-93.

NOTE 19. Subsequent Pronouncements

In June 2017, GASB issued Government Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of the statement are effective for financial statement periods beginning after December 15, 2019. The pronouncement is expected to have no effect on the District in upcoming years.

In June 2018, GASB issued Government Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the effects on the financial statement of this pronouncement.

In August 2018, GASB issued Government Accounting Standards Board Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The provisions of the statement are effective for financial statement periods beginning after December 15, 2018. The pronouncement is expected to have no effect on the District in upcoming years.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Notes to the Financial Statements
June 30, 2019

NOTE 19. Subsequent Pronouncements (continued)

In May 2019, GASB issued Government Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of the statement are effective for financial statement periods beginning after December 15, 2020. The pronouncement is expected to have no effect on the District in upcoming years.

NOTE 20. Subsequent Events

Management Review

The date to which events occurring after June 30, 2019, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 8, 2019 which is the date on which the financial statements were available to be issued.

NOTE 21. Correction of Net Position for Fiduciary Funds

The beginning net position of the Eagle Trust and Agency Funds in the Statement of Changes in Fiduciary Net Position at Exhibit D-2 and Statement of Changes in Assets and Liabilities at Statement C have been restated to reclassify the cash balance between the Eagle Trust and Administration agency funds as of June 30, 2018. A reconciliation of the prior period ending net position to the current year beginning net position is as follows:

	Net Position, as		
	Previously	Cash	Net Position
	Reported	Reclassification	Restated
	_____	_____	_____
Eagle Trust	\$7,878	\$39,525	\$47,403
Administration	\$57,532	\$(39,525)	\$(18,007)

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING BALANCE SHEET
GENERAL FUND
June 30, 2019

Statement A-1

	General Fund			
	Operational	Pupil Transportation	Instructional Materials	Total
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 10,859,008	\$ 19,916	\$ 303,314	\$ 11,182,238
Investments	2,963,485	-	-	2,963,485
Accounts receivable				
Taxes	70,076	-	-	70,076
Due from other governments	-	-	31,169	31,169
Interfund receivables	5,206,125	-	-	5,206,125
Other	105,139	-	-	105,139
Inventory	357,296	-	-	357,296
<i>Total assets</i>	<u>\$ 19,561,129</u>	<u>\$ 19,916</u>	<u>\$ 334,483</u>	<u>\$ 19,915,528</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accounts payable	\$ 45,863	\$ -	\$ 47,582	\$ 93,445
Accrued expenses	2,793,332	2,115	-	2,795,447
Interfund payable	123,775	2,223	-	125,998
<i>Total liabilities</i>	<u>2,962,970</u>	<u>4,338</u>	<u>47,582</u>	<u>3,014,890</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - delinquent property taxes	1,017	-	-	1,017
<i>Total deferred inflows of resources</i>	<u>1,017</u>	<u>-</u>	<u>-</u>	<u>1,017</u>
<i>Fund balance:</i>				
Nonspendable				
Inventory	357,296	-	-	357,296
Spendable				
Restricted for:				
Transportation	-	15,578	-	15,578
Instructional materials	-	-	286,901	286,901
Committed				
Subsequent year's expenditures	6,000,000	-	-	6,000,000
Assigned	-	-	-	-
Unassigned	10,239,846	-	-	10,239,846
<i>Total fund balance</i>	<u>16,597,142</u>	<u>15,578</u>	<u>286,901</u>	<u>16,899,621</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 19,561,129</u>	<u>\$ 19,916</u>	<u>\$ 334,483</u>	<u>\$ 19,915,528</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
For the Year Ended June 30, 2019

Statement A-2

	General Fund			Total
	Operational	Pupil Transportation	Instructional Materials	
<i>Revenues:</i>				
Taxes - property	\$ 394,590	\$ -	\$ -	\$ 394,590
Taxes - oil and gas	366,173	-	-	366,173
Federal flowthrough	60,486	-	-	60,486
State flowthrough	71,965,961	-	363,505	72,329,466
Transportation distribution	-	2,284,562	-	2,284,562
Charges for services	23,780	-	-	23,780
Investment income	226,523	-	-	226,523
Miscellaneous	399,203	-	-	399,203
<i>Total revenues</i>	<u>73,436,716</u>	<u>2,284,562</u>	<u>363,505</u>	<u>76,084,783</u>
<i>Expenditures:</i>				
Current:				
Instruction	48,370,233	-	571,250	48,941,483
Support services - students	7,050,740	-	-	7,050,740
Support services - instruction	2,521,554	-	-	2,521,554
Support services - general admin.	967,909	-	-	967,909
Support services - school admin.	4,652,805	-	-	4,652,805
Central services	1,692,587	-	-	1,692,587
Operation and maintenance of plant	6,312,574	-	-	6,312,574
Student transportation	69,962	2,271,667	-	2,341,629
Food service operations	8,753	-	-	8,753
<i>Total expenditures</i>	<u>71,647,117</u>	<u>2,271,667</u>	<u>571,250</u>	<u>74,490,034</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,789,599</u>	<u>12,895</u>	<u>(207,745)</u>	<u>1,594,749</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net changes in fund balances</i>	1,789,599	12,895	(207,745)	1,594,749
<i>Fund balances - beginning of year</i>	<u>14,807,543</u>	<u>2,683</u>	<u>494,646</u>	<u>15,304,872</u>
<i>Fund balances - end of year</i>	<u>\$ 16,597,142</u>	<u>\$ 15,578</u>	<u>\$ 286,901</u>	<u>\$ 16,899,621</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
GENERAL FUND - OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

Statement A-3
(Page 1 of 2)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 312,371	\$ 312,371	\$ 392,083	\$ 79,712
Taxes - oil and gas	255,576	255,576	363,126	107,550
Federal flowthrough	30,000	30,000	60,486	30,486
Local grants	-	-	-	-
State flowthrough	70,364,948	72,036,151	71,868,322	(167,829)
Charges for services	7,000	7,000	23,780	16,780
Investment income	15,000	15,000	226,523	211,523
Miscellaneous	50,000	50,000	399,203	349,203
<i>Total revenues</i>	<u>71,034,895</u>	<u>72,706,098</u>	<u>73,333,523</u>	<u>627,425</u>
<i>Expenditures:</i>				
Current:				
Instruction	52,309,543	53,005,931	48,434,984	4,570,947
Support services - students	7,021,902	7,261,902	7,060,106	201,796
Support services - instruction	2,730,636	2,780,636	2,521,554	259,082
Support services - general admin.	860,855	995,670	969,607	26,063
Support services - school admin.	4,497,761	4,747,761	4,651,735	96,026
Central services	1,666,423	1,736,423	1,696,871	39,552
Operation and maintenance of plant	6,887,775	6,992,803	6,410,715	582,088
Student transportation	-	100,000	69,962	30,038
Other support services	60,000	54,972	-	54,972
Food service operations	-	30,000	8,753	21,247
<i>Total expenditures</i>	<u>76,034,895</u>	<u>77,706,098</u>	<u>71,824,287</u>	<u>5,881,811</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>1,509,236</u>	<u>6,509,236</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
GENERAL FUND - OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

Statement A-3
(Page 2 of 2)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>1,509,236</u>	<u>6,509,236</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	5,000,000	5,000,000	-	(5,000,000)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	1,509,236	1,509,236
<i>Fund balances - beginning of year</i>	-	-	19,673,076	19,673,076
<i>Prior period adjustments</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year as restated</i>	<u>-</u>	<u>-</u>	<u>19,673,076</u>	<u>19,673,076</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,182,312</u>	<u>\$ 21,182,312</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ 1,789,599	
(Increase) decrease in accounts receivable			(98,814)	
(Increase) decrease in inventory			(27,955)	
Increase (decrease) in accounts payable			(149,216)	
Increase (decrease) in deferred inflows			<u>(4,378)</u>	
Change in fund balance - budgetary basis			<u>\$ 1,509,236</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
PUPIL TRANSPORTATION - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2019

Statement A-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	-	-	-	-
Transportation distribution	2,265,053	2,285,904	2,284,562	(1,342)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,265,053</u>	<u>2,285,904</u>	<u>2,284,562</u>	<u>(1,342)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	2,265,053	2,287,245	2,271,667	15,578
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	<u>2,265,053</u>	<u>2,287,245</u>	<u>2,271,667</u>	<u>15,578</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,341)</u>	<u>12,895</u>	<u>14,236</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	1,341	-	(1,341)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,341</u>	<u>-</u>	<u>(1,341)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>12,895</u>	<u>12,895</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,444</u>	<u>4,444</u>
<i>Prior period restatement (Note 18)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year as restated</i>	<u>-</u>	<u>-</u>	<u>4,444</u>	<u>4,444</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,339</u>	<u>\$ 17,339</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			<u>\$ 12,895</u>	
Change in fund balance - budgetary basis			<u>\$ 12,895</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-5

HOBBS MUNICIPAL SCHOOL DISTRICT #33
 INSTRUCTIONAL MATERIALS - GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	332,337	1,017,498	332,337	(685,161)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>332,337</u>	<u>1,017,498</u>	<u>332,337</u>	<u>(685,161)</u>
<i>Expenditures:</i>				
Current:				
Instruction	332,337	1,017,498	683,095	334,403
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Student transportation	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	<u>332,337</u>	<u>1,017,498</u>	<u>683,095</u>	<u>334,403</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(350,758)</u>	<u>(350,758)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>(350,758)</u>	<u>(350,758)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>654,072</u>	<u>654,072</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,314</u>	<u>\$ 303,314</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (207,745)	
Increase (decrease) in accounts payable			<u>(111,844)</u>	
Change in fund balance - budgetary basis			<u>\$ (350,758)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS

ALL FEDERAL FUNDS - The Special Revenue Funds are used to account for grant funds received from the U.S. Department of Education through the New Mexico Public Education Department. These funds are to be used for purposes specified in the grant awards and may not be used for any other purpose.

Food Service (21000) – This fund is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751 1760, 1779.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

Fresh Fruit & Vegetables (24118) - The Fresh Fruit and Vegetable Program, under Section 19 of the Richard B. Russell National School Lunch Act, is a nationwide program that operates in select elementary schools in the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands. The purpose of this program is to provide funding allocation amounts for all State agencies for Fiscal Year 2019; to provide information on funding requirements and deadlines; and to serve as a reminder of important program requirements.

21st Century Community Learning Centers (24119) - This program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children. Established by US Dept. of Education CFDA 84.287

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authority for creation of this fund is the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

Teacher / Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

Carl Perkins Secondary, Carl Perkins Secondary- PY , and Carl Perkins Secondary- Redistribution (24174, 24175, and 24176) – To provide federal funds to expand and improve vocational education programs and to provide equal access in vocational education to special needs populations. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1998, as amended, Public Law 105-332.

Student Support Grads (24189) – Title IV is a Direct Student Services Grant. Within the parameters of the grant: at least 20% must be spent on “Well Rounded Educational Opportunities”; at least 20% must be spent on “Safe and Healthy Students” and no more than 15% may be spent on the “Effective Use of Technology.”

Direct Student Services (24193) - This grant was used at the Freshmen School and Will Rogers Elementary to give direct support for students struggling with reading and math. This includes after school support, including staffing and technology.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Title XIX Medicaid (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369; Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100-202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485; Public Law 100-647; Public Law 101-166; Public Law 101-234; Public Law 101-239; Public Law 101-508; Public Law 101-517; Public Law 102-234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113; Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law 110-28.

Secondary Ag Education (25230) – The objective of this fund is to account for a Future Farmers of America grant to study the composting of red worms. Authority for the creation of this fund is the New Mexico Public Education Department.

J.F Maddox Foundation (26109) – The objective of this fund is to account for grants provided from a local private foundation. Authority for the creation of this fund is the New Mexico Public Education Department.

Bridge for Southern New Mexico (26215) – The purpose of this fund is to be used for Expanding Early College High Schools throughout New Mexico to establish or strengthen agreements with higher education to increase dual-credit enrollment. Authority for the creation of this fund is the New Mexico Public Education Department.

Microsoft Settlement Funds (26170) – The objective of this fund is to account for money received for software and hardware from a settlement with Microsoft. Authority for the creation of this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials HB-2 (27103) - The purpose of these funds is to pay the cost of the required textbooks and other relevant course supplies for dual credit classes for which eligible students are enrolled.

2010 G.O. Bond Student Library (27106) – The purpose of this fund is to be used to fund each library facility for improvement or acquisition and to acquire library books and library resources to support the library program. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 G.O. Bond Public School Library (27107) – This award allows schools to acquire library books, equipment and library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Special Session, 2012 Senate and House Bill.

New Mexico Reads to Lead (27114) – This fund is used to purchase core reading program materials for grades K-5 in alignment with Common Core State Standards. Authority for the creation of this fund is the New Mexico Public Education Department.

Excellence in Teaching (27125) - This funding was provided by the Public Education Department to give a \$5,000 or \$10,000 award to the outstanding teachers that achieved two years of student growth in one academic year.

Pre-K Initiative (27149) – To account for funds received from the State of New Mexico to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system — Pre- Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

SPECIAL REVENUE FUNDS (continued)

Breakfast for Elementary Students (27155) – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on Annual Yearly Progress (AYP) designation. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten – Three Plus (27166) – Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

After School Enrichment Program (27168) – Funds allow for an after school enrichment program for a couple of qualifying schools, which focused on the arts. Authority for the creation of the fund is the New Mexico Public Education Department.

Stem Programs (27181) - Funds are used for STEM Teacher recruitment and/or stipend retention. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Growth FW (27183) - To provide students with fresh fruits and vegetables grown right here in New Mexico. The fruits and vegetables are bought from New Mexico farmers or farm organizations.

Next Generation Assessments (27185) – This is used to remediate deficiencies in computer devices compliant with the Partnership for assessment of readiness for college and Careers (PARCC) assessment requirements. Districts must complete 3 requirements, Technology Readiness Tool, School Speed Test, and Project 24 Self-Assessment. Authority for the creation of this fund is the New Mexico Public Education Department.

College Advisor Initiative (27189) – This grant was to provide compensation for a part time college advisor as well as some supplies for this counselor. This counselor was at Hobbs High School and help students prepare for college and the admissions process.

K 4-5 Plus (27198) - Funds allow for an extended school year for grade 4 and 5 students. This program focuses on growing the students in the upper level elementary and continue on from the K-3 program.

Community Health Program DOH (28149) – Funds are used to expand opportunities for healthy eating and active living for children. Authority for the creation of this fund is the New Mexico Department of Health.

Start Smart K-3 Utah State University Study (28191) – Funds all for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. The study allows for maintenance of a test group and a control group to determine the benefits for those in the test group. Authority for the creation of this fund is the New Mexico Public Education Department.

TCA Value Options (29131) – To provide local funds used to encourage a strong knowledge base in the elementary school curriculum. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
NONMAJOR FUND DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

CAPITAL PROJECTS FUNDS

Bond Building (31100) - To account for expenditures of proceeds received from the issuance of General Obligation Bonds and Qualified Zone Academy Bonds (QZab). Expenditures are for the purpose of erecting, remodeling, making additions to and furnishing school buildings, improving school grounds, and purchasing computer software and hardware for student use in public school classrooms. Authority for the creation of this fund is the New Mexico Public Education Department.

Special Building Local (31300) – To account for resources received from revenue generated by local sources for the purpose of remodeling and improvements on existing structures. Authority for the creation of this fund is the New Mexico Public Education Department.

Capital Improvements HB-33 (31600) - To account for the 4 mill levy authorized by the Public Building Act. Expenditures are for erecting, remodeling, making additions, providing equipment for or furnishing public school buildings, and purchasing or improving public grounds. Authority for the creation of this fund is the New Mexico Public Education Department.

SB-9 Capital Improvements (31700) – To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

SB-9 Capital Improvements Local (31701) - To separate school districts schools Senate Bill 9 state match and local ad-valorem taxes. Authority for the creation of this fund is the New Mexico Public Education Department.

(This page intentionally left blank.)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds				
	Food Service	Athletics	IDEA B Preschool	Fresh Fruit & Vegetables	21st Century Community Learning Centers
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 186,246	\$ 70,393	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	291,745	-	-	-	399,586
Interfund receivables	-	-	1,110	12,632	8,568
Other	-	-	19,948	-	-
Inventory	64,594	-	-	-	-
<i>Total assets</i>	<u>\$ 542,585</u>	<u>\$ 70,393</u>	<u>\$ 21,058</u>	<u>\$ 12,632</u>	<u>\$ 408,154</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ 11,101	\$ 8,625	\$ -	\$ -	\$ 9,581
Accrued expenses	106,997	-	-	-	5,293
Interfund payable	588,932	-	40,809	12,632	389,059
<i>Total liabilities</i>	<u>707,030</u>	<u>8,625</u>	<u>40,809</u>	<u>12,632</u>	<u>403,933</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - federal or state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	64,594	-	-	-	-
Spendable					
Restricted for:					
Food services	-	-	-	-	-
Education	-	-	-	-	4,221
Extracurricular activities	-	61,768	-	-	-
Capital acquisitions and improvements	-	-	-	-	-
Unassigned	(229,039)	-	(19,751)	-	-
<i>Total fund balance</i>	<u>(164,445)</u>	<u>61,768</u>	<u>(19,751)</u>	<u>-</u>	<u>4,221</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 542,585</u>	<u>\$ 70,393</u>	<u>\$ 21,058</u>	<u>\$ 12,632</u>	<u>\$ 408,154</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds					
English Language Acquisition	Teacher/Principal Training & Recruiting	Carl D. Perkins Secondary - Current	Carl D. Perkins Redistribution	Student Support Grads	Direct Student Services
\$ 56,063	\$ 106,760	\$ 8,195	\$ -	\$ -	\$ 9,328
-	-	-	-	-	-
-	-	-	-	-	-
48,259	146,270	19,789	-	-	62,909
7,184	5,138	3,500	1,013	18,500	-
-	-	-	987	-	-
-	-	-	-	-	-
<u>\$ 111,506</u>	<u>\$ 258,168</u>	<u>\$ 31,484</u>	<u>\$ 2,000</u>	<u>\$ 18,500</u>	<u>\$ 72,237</u>
\$ -	\$ 22,058	\$ 1,730	\$ -	\$ -	\$ 900
140	2,362	-	-	-	11,475
<u>111,217</u>	<u>328,720</u>	<u>27,062</u>	<u>1,920</u>	<u>18,500</u>	<u>60,762</u>
<u>111,357</u>	<u>353,140</u>	<u>28,792</u>	<u>1,920</u>	<u>18,500</u>	<u>73,137</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
149	-	2,692	80	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(94,972)	-	-	-	(900)
<u>149</u>	<u>(94,972)</u>	<u>2,692</u>	<u>80</u>	<u>-</u>	<u>(900)</u>
<u>\$ 111,506</u>	<u>\$ 258,168</u>	<u>\$ 31,484</u>	<u>\$ 2,000</u>	<u>\$ 18,500</u>	<u>\$ 72,237</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds				
	Title XIX Medicaid	Secondary Ag Education	J.F. Maddox Foundation	Bridge for Southern New Mexico	Microsoft Settlement Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ 2,000	\$ -	\$ 63,641	\$ 2,060
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	379,196	-	-	-	-
Interfund receivables	-	-	43,440	40,812	-
Other	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 379,196</u>	<u>\$ 2,000</u>	<u>\$ 43,440</u>	<u>\$ 104,453</u>	<u>\$ 2,060</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses	66,470	-	114	-	-
Interfund payable	312,726	-	72,388	-	-
<i>Total liabilities</i>	<u>379,196</u>	<u>-</u>	<u>72,502</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:					
Unavailable revenue - federal or state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Restricted for:					
Food services	-	-	-	-	-
Education	-	2,000	-	104,453	2,060
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	-	-	-	-	-
Unassigned	-	-	(29,062)	-	-
<i>Total fund balance</i>	<u>-</u>	<u>2,000</u>	<u>(29,062)</u>	<u>104,453</u>	<u>2,060</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 379,196</u>	<u>\$ 2,000</u>	<u>\$ 43,440</u>	<u>\$ 104,453</u>	<u>\$ 2,060</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

Dual Credit Instructional Materials HB-2	2010 GO Bond Student Library	2012 GO Bond Public School Library	Reads to Lead K-3	Excellence In Teaching	New Mexico Pre-K Initiative
\$ -	\$ 8,745	\$ -	\$ -	\$ 32	\$ 104,541
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	101,739
-	-	-	2,082	-	-
-	-	4,317	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 8,745</u>	<u>\$ 4,317</u>	<u>\$ 2,082</u>	<u>\$ 32</u>	<u>\$ 206,280</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	10,503	-	23,362
-	10,000	5,982	78,978	-	193,525
-	10,000	5,982	89,481	-	216,887
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	32	-
-	-	-	-	-	-
-	(1,255)	(1,665)	(87,399)	-	(10,607)
-	(1,255)	(1,665)	(87,399)	32	(10,607)
<u>\$ -</u>	<u>\$ 8,745</u>	<u>\$ 4,317</u>	<u>\$ 2,082</u>	<u>\$ 32</u>	<u>\$ 206,280</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds				
	Breakfast for Elementary Students	Kindergarten Three Plus	After School Enrichment Program	Stem Programs	NM Growth FW
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ -	\$ 1,498	\$ 61,907	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	39,172	-	-	12,632
Interfund receivables	-	-	-	191,444	-
Other	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 39,172</u>	<u>\$ 1,498</u>	<u>\$ 253,351</u>	<u>\$ 12,632</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ 14,420	\$ -	\$ -	\$ -
Accrued expenses	-	2	-	-	-
Interfund payable	-	106,484	-	265,706	12,632
<i>Total liabilities</i>	<u>-</u>	<u>120,906</u>	<u>-</u>	<u>265,706</u>	<u>12,632</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - federal or state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Restricted for:					
Food services	-	-	-	-	-
Education	-	-	1,498	-	-
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	-	-	-	-	-
Unassigned	-	(81,734)	-	(12,355)	-
<i>Total fund balance</i>	<u>-</u>	<u>(81,734)</u>	<u>1,498</u>	<u>(12,355)</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 39,172</u>	<u>\$ 1,498</u>	<u>\$ 253,351</u>	<u>\$ 12,632</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Capital Project Funds				
	Bond Building	Special Capital Outlay Local	Capital Improvement HB-33	Capital Improvement SB-9- State	Capital Improvement SB-9- Local
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 267,478	\$ 48,800	\$ 2,529,067	\$ -	\$ 17,831
Investments	2,667	-	-	-	-
Accounts receivable					
Taxes	-	-	606,051	-	303,028
Due from other governments	-	-	-	221,241	-
Interfund receivables	-	-	-	-	426,748
Other	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 270,145</u>	<u>\$ 48,800</u>	<u>\$ 3,135,118</u>	<u>\$ 221,241</u>	<u>\$ 747,607</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ 1,512,808	\$ -	\$ 76,935
Accrued expenses	-	-	-	-	-
Interfund payable	-	-	186,542	221,241	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>1,699,350</u>	<u>221,241</u>	<u>76,935</u>
<i>Deferred Inflows of Resources:</i>					
#					
state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	26,570	-	13,287
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>26,570</u>	<u>-</u>	<u>13,287</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Food services	-	-	-	-	-
Education	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	270,145	48,800	1,409,198	-	657,385
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>270,145</u>	<u>48,800</u>	<u>1,409,198</u>	<u>-</u>	<u>657,385</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 270,145</u>	<u>\$ 48,800</u>	<u>\$ 3,135,118</u>	<u>\$ 221,241</u>	<u>\$ 747,607</u>

The accompanying notes are an integral part of these financial statements.

<u>Total Nonmajor Government Funds</u>	
\$	3,671,329
	2,667
	909,079
	1,755,264
	762,171
	25,252
	<u>64,594</u>
\$	<u><u>7,190,356</u></u>
\$	1,672,578
	233,140
	<u>3,178,147</u>
	<u>5,083,865</u>
	-
	<u>39,857</u>
	<u>39,857</u>
	64,594
	-
	120,968
	86,218
	2,385,528
	<u>(590,674)</u>
	<u>2,066,634</u>
\$	<u><u>7,190,356</u></u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Special Revenue Funds

	Food Service	Athletics	IDEA B Preschool	Fresh Fruits & Vegetables	21st Century Community Learning Centers
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-	-
Federal flowthrough	3,159,926	-	39,016	-	1,203,412
Federal direct	-	-	-	-	-
Local grants	-	-	-	-	-
State flowthrough	-	-	-	-	-
Charges for services	607,583	253,657	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>3,767,509</u>	<u>253,657</u>	<u>39,016</u>	<u>-</u>	<u>1,203,412</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	302,924	29,525	-	1,114,876
Support services - students	-	-	9,512	-	2,681
Support services - instruction	-	-	-	-	-
Support services - general admin.	-	-	-	-	23,049
Support services - school admin.	-	-	-	-	12,712
Central services	-	-	-	-	35,856
Operation and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food service operations	5,038,656	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
<i>Total expenditures</i>	<u>5,038,656</u>	<u>302,924</u>	<u>39,037</u>	<u>-</u>	<u>1,189,174</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,271,147)</u>	<u>(49,267)</u>	<u>(21)</u>	<u>-</u>	<u>14,238</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(1,271,147)</u>	<u>(49,267)</u>	<u>(21)</u>	<u>-</u>	<u>14,238</u>
<i>Fund balances - beginning of year</i>	<u>1,106,702</u>	<u>111,035</u>	<u>(19,730)</u>	<u>-</u>	<u>(10,017)</u>
<i>Fund balances - end of year</i>	<u>\$ (164,445)</u>	<u>\$ 61,768</u>	<u>\$ (19,751)</u>	<u>\$ -</u>	<u>\$ 4,221</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds					
English Language Acquisition	Teacher/Principal Training & Recruiting	Carl D. Perkins Secondary - Current	Carl D. Perkins Redistribution	Student Support Grads	Direct Student Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
123,749	200,685	104,979	11,186	-	104,392
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>123,749</u>	<u>200,685</u>	<u>104,979</u>	<u>11,186</u>	<u>-</u>	<u>104,392</u>
121,163	169,938	96,017	11,106	-	105,292
-	-	5,428	-	-	-
-	-	-	-	-	-
2,352	3,818	1,934	-	-	-
172	40,839	-	-	-	-
-	8,148	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>123,687</u>	<u>222,743</u>	<u>103,379</u>	<u>11,106</u>	<u>-</u>	<u>105,292</u>
<u>62</u>	<u>(22,058)</u>	<u>1,600</u>	<u>80</u>	<u>-</u>	<u>(900)</u>
-	-	-	-	-	-
-	-	-	-	-	-
62	(22,058)	1,600	80	-	(900)
87	(72,914)	1,092	-	-	-
<u>\$ 149</u>	<u>\$ (94,972)</u>	<u>\$ 2,692</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ (900)</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Special Revenue Funds

	Title XIX Medicaid	Secondary Ag Education	J.F. Maddox Foundation	Bridge for Southern New Mexico	Microsoft Settlement Funds
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-	-
Federal flowthrough	-	-	-	-	-
Federal direct	1,276,049	-	-	-	-
Local grants	-	-	-	-	-
State flowthrough	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>1,276,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	-	-	-	-	-
Support services - students	1,275,964	-	-	-	-
Support services - instruction	-	-	-	-	-
Support services - general admin.	-	-	-	-	-
Support services - school admin.	-	-	-	-	-
Central services	-	-	-	-	-
Operation and maintenance of plant	85	-	-	-	-
Student transportation	-	-	-	-	-
Food service operations	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
<i>Total expenditures</i>	<u>1,276,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>2,000</u>	<u>(29,062)</u>	<u>104,453</u>	<u>2,060</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ (29,062)</u>	<u>\$ 104,453</u>	<u>\$ 2,060</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds					
Dual Credit Instructional Materials HB-2	2010 GO Bond Student Library	2012 GO Bond Public School Library	Reads to Lead K-3	Excellence In Teaching	New Mexico Pre-K Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33,174	-	4,317	99,369	225,445	386,080
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,174</u>	<u>-</u>	<u>4,317</u>	<u>99,369</u>	<u>225,445</u>	<u>386,080</u>
33,174	-	-	186,768	225,413	386,080
-	-	-	-	-	-
-	-	5,982	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>33,174</u>	<u>-</u>	<u>5,982</u>	<u>186,768</u>	<u>225,413</u>	<u>386,080</u>
-	-	(1,665)	(87,399)	32	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(1,665)	(87,399)	32	-
-	(1,255)	-	-	-	(10,607)
<u>\$ -</u>	<u>\$ (1,255)</u>	<u>\$ (1,665)</u>	<u>\$ (87,399)</u>	<u>\$ 32</u>	<u>\$ (10,607)</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue Funds				
	Breakfast for Elementary Students	Kindergarten Three Plus	After School Enrichment Program	Stem Programs	NM Growth FW
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-	-
Federal flowthrough	-	-	-	-	-
Federal direct	-	-	-	-	-
Local grants	-	-	-	-	-
State flowthrough	46,455	229,371	-	-	12,632
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>46,455</u>	<u>229,371</u>	<u>-</u>	<u>-</u>	<u>12,632</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	252,498	-	-	-
Support services - students	-	-	-	-	-
Support services - instruction	-	-	-	-	-
Support services - general admin.	-	-	-	-	-
Support services - school admin.	-	-	-	-	-
Central services	-	-	-	-	-
Operation and maintenance of plant	-	609	-	-	-
Student transportation	-	58,426	-	-	-
Food service operations	46,455	-	-	-	12,632
Facilities acquisition and construction	-	-	-	-	-
<i>Total expenditures</i>	<u>46,455</u>	<u>311,533</u>	<u>-</u>	<u>-</u>	<u>12,632</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(82,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>(82,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>428</u>	<u>1,498</u>	<u>(12,355)</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (81,734)</u>	<u>\$ 1,498</u>	<u>\$ (12,355)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds					
Next Generation Assessments	College Advisor Initiative	K 4-5 Plus	Community Health Program DOH	Start Smart K-3 Utah State University Study	TCA Value Options
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	104,849	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	104,849	-	-	-
-	-	119,269	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	119,269	-	-	-
-	-	(14,420)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(14,420)	-	-	-
(5,836)	-	-	24,450	(1,679)	3,783
<u>\$ (5,836)</u>	<u>\$ -</u>	<u>\$ (14,420)</u>	<u>\$ 24,450</u>	<u>\$ (1,679)</u>	<u>\$ 3,783</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Capital Project Funds				
	Bond Building	Special Capital Outlay Local	Capital Improvement HB-33	Capital Improvement SB-9	Capital Improvement SB-9 Local
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ 4,012,500	\$ -	\$ 2,006,251
Taxes - oil and gas	-	-	2,929,422	-	1,464,708
Federal flowthrough	-	-	-	-	-
Federal direct	-	-	-	-	-
Local grants	-	3,700	-	-	-
State flowthrough	-	-	-	221,241	-
Charges for services	-	-	-	-	-
Investment income	78	48	-	-	2,381
Miscellaneous	-	-	158,580	-	168,208
<i>Total revenues</i>	<u>78</u>	<u>3,748</u>	<u>7,100,502</u>	<u>221,241</u>	<u>3,641,548</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	-	-	-	-	-
Support services - students	-	-	-	-	-
Support services - instruction	-	-	-	-	-
Support services - general admin.	-	-	40,063	-	20,034
Support services - school admin.	-	-	-	-	-
Central services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	2,208,902
Student transportation	-	-	-	-	-
Food service operations	-	-	-	-	-
Facilities acquisition and construction	-	-	8,906,330	221,241	1,293,415
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>8,946,393</u>	<u>221,241</u>	<u>3,522,351</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>78</u>	<u>3,748</u>	<u>(1,845,891)</u>	<u>-</u>	<u>119,197</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	78	3,748	(1,845,891)	-	119,197
<i>Fund balances - beginning of year</i>	<u>270,067</u>	<u>45,052</u>	<u>3,255,089</u>	<u>-</u>	<u>538,188</u>
<i>Fund balances - end of year</i>	<u>\$ 270,145</u>	<u>\$ 48,800</u>	<u>\$ 1,409,198</u>	<u>\$ -</u>	<u>\$ 657,385</u>

The accompanying notes are an integral part of these financial statements.

Total Nonmajor Government Funds	
\$	6,018,751
	4,394,130
	4,947,345
	1,276,049
	3,700
	1,362,933
	861,240
	2,507
	<u>326,788</u>
	<u>19,193,443</u>
	3,154,043
	1,293,585
	5,982
	91,250
	53,723
	44,004
	2,209,596
	58,426
	5,097,743
	<u>10,420,986</u>
	<u>22,429,338</u>
	<u>(3,235,895)</u>
	-
	-
	(3,235,895)
	<u>5,302,529</u>
\$	<u><u>2,066,634</u></u>

FIDUCIARY FUNDS

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
FIDUCIARY FUNDS DESCRIPTIONS
YEAR ENDED JUNE 30, 2019

FIDUCIARY FUNDS

These funds are used to account for assets held by the governmental entity in a trustee capacity or as an agent for individual, private organizations, other governmental entities and/or other funds. Agency funds are purely custodial and do not involve measurement of results of operations. The District has the following agency funds in the primary government:

Student Activity – To account for Elementary, Junior High and Senior High assets held by the District until distributed to various organizations and clubs at the schools.

Other Funds – To account for assets held by the District until distributed to the other organizations.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
AGENCY FUNDS

Statement C

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2019

	Balance June 30, 2018	Reclassification of beginning cash	Additions	Deletions	Balance June 30, 2019
Administration	\$ 57,532	\$ (39,525)	\$ 11,160	\$ 13,546	\$ 15,621
Warehouse	7	-	-	-	7
Transportation	5,000	-	15,000	-	20,000
Nutritional Services - Banquets	(9,993)	-	636,375	623,618	2,764
Taos House/Federal Program	205	-	-	-	205
Dalton Tabor/Special Services	(1,525)	-	-	954	(2,479)
Athletics	146,307	-	73,258	78,058	141,507
TARS	16	-	-	-	16
Jenkins Nunan Learning Center	2,351	-	-	-	2,351
Superintendent	17,212	-	-	-	17,212
Computer Aided Instruction	23	-	-	-	23
Hobbs High School	303,304	-	208,907	175,229	336,982
Hobbs Freshman School	36,752	-	25,438	12,218	49,972
Heizer Junior High	12,126	-	163,917	170,507	5,536
Highland Junior High	201,256	-	294,442	252,112	243,586
Houston Junior High	193,940	-	302,925	271,533	225,332
Broadmoor Elementary	1,618	-	2,298	1,457	2,459
Edison Elementary	4,506	-	23,234	25,075	2,665
Jefferson Elementary	749	-	16,520	23,377	(6,108)
Sanger Elementary	6,009	-	7,304	7,638	5,675
Southern Heights Elementary	30,111	-	963	13,488	17,586
Taylor Elementary	(11,701)	-	1,160	754	(11,295)
B.T. Washington Elementary	2,308	-	17,085	17,045	2,348
Will Rogers Elementary	595	-	25,001	20,474	5,122
Coronado Elementary	8,814	-	26,093	21,779	13,128
Mills Elementary	4,418	-	3,907	3,097	5,228
Stone Elementary	16,308	-	32,677	5,114	43,871
College Lane Elementary	9,272	-	5,332	6,663	7,941
Murray Elementary	8,302	-	15,332	15,080	8,554
District-wide Activity Funds	59,990	-	12,846	10,102	62,734
	<u>\$ 1,105,812</u>	<u>\$ (39,525)</u>	<u>\$ 1,921,174</u>	<u>\$ 1,768,918</u>	<u>1,218,543</u>
Total Activity Funds	<u>\$ 1,105,812</u>	<u>\$ (39,525)</u>	<u>\$ 1,921,174</u>	<u>\$ 1,768,918</u>	<u>1,218,543</u>
			Total agency assets per Exhibit D-1		<u>\$ 1,218,543</u>
			Due to Operational from Nutritional Services - Banquets	\$	32,482
			Due to student organizations		<u>1,186,061</u>
			Total agency liabilities per Exhibit D-1	\$	<u>1,218,543</u>

The accompanying notes are an integral part of these financial statements.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
Schedule Of Collateral Pledged By Depository
For Public Funds
June 30, 2019

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2019	Location of Safekeeper
Western Commerce Bank					
	FNMA #AH2367	1/1/41	3133TZO	\$ 197,589	Federal Home Loan Bank, Dallas, TX
	FNMA #AB2748	4/1/41	31416YBS6	497,615	Federal Home Loan Bank, Dallas, TX
	SBAP SERIES 2014-20B	2/1/34	83162CWB5	636,851	Federal Home Loan Bank, Dallas, TX
	SBAP SERIES 2010-20L	12/1/30	83162CTS2	375,618	Federal Home Loan Bank, Dallas, TX
	SBAP SERIES 2010-20G	7/1/31	83162CUD3	788,315	Federal Home Loan Bank, Dallas, TX
	Total Western Commerce Bank			<u>2,495,988</u>	
Wells Fargo Bank					
	FMAC FGPC 4.000%	6/1/25	3128MCPV1	2,155,773	Federal Home Loan Bank, Dallas, TX
	FMAC FGRM 2.000%	12/15/41	3137ARHD1	125,405	Federal Home Loan Bank, Dallas, TX
	FNMA FNMS 2.500%	9/1/31	3140F9QB4	4,587,499	Federal Home Loan Bank, Dallas, TX
	Total Wells Fargo Bank			<u>6,868,677</u>	
Lea County State Bank					
	FFCB	12/9/22	3130A3KM5	3,033,570	Federal Home Loan Bank, Dallas, TX
	FFCB	12/11/20	3130A3UQ5	2,984,250	Federal Home Loan Bank, Dallas, TX
	FFCB	3/30/22	3133EEWJ5	2,984,661	Federal Home Loan Bank, Dallas, TX
	Albuquerque NM MSD 5%	8/1/22	013595SV6	1,832,688	TIB Dallas, TX
	Grants & Cibola SD 2.5%	10/1/24	388240HD8	261,765	TIB Dallas, TX
	Jal NM PSD 3%	10/1/23	470143AH1	320,613	TIB Dallas, TX
	Lea County PSD 2%	3/15/23	521513CU3	400,176	TIB Dallas, TX
	Lovington NM SD 4.25%	7/15/21	547413CV4	529,165	TIB Dallas, TX
	NMMI 4.0%	6/1/28	647183BS0	984,168	TIB Dallas, TX
	San Juan Cnty NM 5%	6/15/29	79835HHJ9	1,512,066	TIB Dallas, TX
	University NM 3%	8/1/29	914696DX4	248,658	TIB Dallas, TX
	Las Cruces NM SD 3%	8/1/20	517534SY0	305,457	TIB Dallas, TX
	Total Lea County State Bank			<u>15,397,237</u>	
	Total Pledged Collateral			<u>\$ 24,761,902</u>	

See accompanying independent auditors' reports

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2019

Schedule II

<u>Bank Name / Account name</u>	<u>Account Type</u>	<u>Lea County State Bank</u>	<u>LGIP</u>	<u>Wells Fargo Bank</u>
Operational	Checking	\$ 1,000,000	\$ -	\$ -
Operational Sweep Account	Sweep Account	7,635,727	-	-
Special Building	Checking	48,800	-	-
State/Local Grant	Checking	328,880	-	-
Ralph Tasker Scholarship	Checking	629	-	-
Bond Building	Checking	260,713	-	-
Debt Service	Checking	7,504,383	-	-
Agency	Certificate of Deposit	256,560	-	-
Agency	Investment	-	248,260	-
Debt Service	Investment	-	226,772	-
Operational	Investment	-	1,020	-
Bond Building	Investment	-	2,667	-
HB 33	Checking	-	-	2,681,264
Payroll	Checking	-	-	5,362,825
Business Checking	Checking	-	-	11,241
Operational	Money Market	-	-	-
Federal Projects	Checking	-	-	-
Cafeteria	Checking	-	-	-
Activity/Athletics	Checking	-	-	-
Total on deposit		17,035,692	478,719	8,055,330
Reconciling Items		2,581,838	-	(5,496,649)
Reconciled Balance June 30, 2019		<u>\$ 19,617,530</u>	<u>\$ 478,719</u>	<u>\$ 2,558,681</u>

See accompanying independent auditors' reports.

Wells Fargo Securities, LLC	Western Commerce Bank	Totals
\$ -	\$ -	\$ 1,000,000
-	-	7,635,727
-	-	48,800
-	-	328,880
-	-	629
-	-	260,713
-	-	7,504,383
-	-	256,560
-	-	248,260
-	-	226,772
-	-	1,020
-	-	2,667
-	-	2,681,264
-	-	5,362,825
-	-	11,241
2,962,465	-	2,962,465
-	414,925	414,925
-	79,090	79,090
-	899,217	899,217
<u>2,962,465</u>	<u>1,393,232</u>	<u>29,925,438</u>
<u>-</u>	<u>93,711</u>	<u>(2,821,100)</u>
<u>\$ 2,962,465</u>	<u>\$ 1,486,943</u>	<u>27,104,338</u>
Less: investments per Exhibit A-1		(3,192,924)
Less: agency cash per Exhibit D-1		(768,414)
Less: agency investments per Exhibit D-1		(504,820)
Cash and cash equivalents per Exhibit A-1		<u>\$ 22,638,180</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
CASH RECONCILIATION
June 30, 2019

	Operational Fund 11000	Transportation Fund 13000	Inst. Materials Fund 14000	Food Services Fund 21000
Audited Cash				
Cash, June 30, 2018	\$ 9,140,479	\$ 4,733	\$ 654,072	\$ 1,166,043
Add / Less:				
Interfund receivables	3,631,707	-	-	-
Accrued expenses	(2,606,834)	(2,050)	-	(106,594)
Interfund payable	(313,894)	-	-	(220)
Other	7,500	-	-	-
Fund cash transfers	-	-	-	-
Investments on hand, June 30, 2018	4,750,820	-	-	-
Total cash, June 30, 2018	<u>14,609,778</u>	<u>2,683</u>	<u>654,072</u>	<u>1,059,229</u>
Add:				
2018-2019 Receipts	73,333,523	2,284,562	332,337	3,186,840
Loans from other funds	<u>-</u>	<u>2,223</u>	<u>-</u>	<u>588,932</u>
Total cash available	<u>87,943,301</u>	<u>2,289,468</u>	<u>986,409</u>	<u>4,835,001</u>
Less:				
2018-2019 expenditures	(71,782,775)	(2,271,667)	(683,095)	(4,755,630)
Loans to other funds	(5,054,583)	-	-	-
Adjustments	<u>(6,855)</u>	<u>-</u>	<u>(80)</u>	<u>(1,108)</u>
Cash per PED	<u>11,099,088</u>	<u>17,801</u>	<u>303,234</u>	<u>78,263</u>
Add / Less:				
Investments	(2,963,485)	-	-	-
Reserve contingencies	-	-	-	(96)
Transfer of expenditures	-	-	-	-
NSF accounts	4,778	-	80	1,082
Money held in Operational bank account for federal funds	6,130	-	-	-
Due from Title XIX Medicaid	(82,187)	-	-	-
2018-2019 payroll liabilities	<u>2,794,684</u>	<u>2,115</u>	<u>-</u>	<u>106,997</u>
Cash per financial statement	<u>\$ 10,859,008</u>	<u>\$ 19,916</u>	<u>\$ 303,314</u>	<u>\$ 186,246</u>

See accompanying independent auditors' report

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local/State Grants 26000	State Flowthrough 27000
\$ 119,491	\$ 610,514	\$ 193,016	\$ 48,552	\$ 124,908	\$ 237,960
-	-	692,051	-	210,977	223,035
-	-	(118,265)	(41,560)	(18,435)	(22,029)
-	-	(3,214,573)	(235,016)	(240,000)	(727,093)
-	(9,425)	-	-	-	-
-	(4,320)	-	-	-	-
-	503,176	-	-	-	-
<u>119,491</u>	<u>1,099,945</u>	<u>(2,447,771)</u>	<u>(228,024)</u>	<u>77,450</u>	<u>(288,127)</u>
253,656	1,928,461	4,266,994	1,126,876	-	1,211,105
-	38,348	3,608,785	235,015	-	585,134
<u>373,147</u>	<u>3,066,754</u>	<u>5,428,008</u>	<u>1,133,867</u>	<u>77,450</u>	<u>1,508,112</u>
(302,754)	(1,801,399)	(5,033,163)	(1,276,048)	-	(1,298,466)
-	-	-	-	(11,864)	-
<u>81</u>	<u>4,466</u>	<u>(24,816)</u>	<u>-</u>	<u>115</u>	<u>3</u>
<u>70,474</u>	<u>1,269,821</u>	<u>370,029</u>	<u>(142,181)</u>	<u>65,701</u>	<u>209,649</u>
-	(504,820)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(81)	3,413	-	-	-	-
-	-	(6,130)	-	-	-
-	-	-	77,711	-	-
-	-	97,293	66,470	-	40,289
<u>\$ 70,393</u>	<u>\$ 768,414</u>	<u>\$ 461,192</u>	<u>\$ 2,000</u>	<u>\$ 65,701</u>	<u>\$ 249,938</u>

STATE OF NEW MEXICO
HOBBS INDEPENDENT SCHOOL DISTRICT #33
CASH RECONCILIATION
JUNE 30, 2018

	State Direct 28000	Local/State Fund 29000	Bond Building 31100	Special Building Local 31300
Audited Cash				
Cash, June 30, 2018	\$ 49,746	\$ 7,096	\$ 267,400	\$ 45,052
Add / Less:				
Interfund receivables	-	-	-	-
Accrued expenses	-	(3,313)	-	-
Interfund payable	(26,975)	-	-	-
NSF Accounts	-	-	-	-
Outstanding loans	-	-	-	-
Investments on hand, June 30, 2018	-	-	2,667	-
Total cash, June 30, 2018	22,771	3,783	270,067	45,052
Add:				
2018-2019 Receipts	-	-	78	3,748
Loans from other funds	26,975	-	-	-
Total cash available	49,746	3,783	270,145	48,800
Less:				
2018-2019 expenditures	-	-	-	-
Loans to other funds	-	-	-	-
Adjustments	-	-	4,476	-
Cash per PED	49,746	3,783	274,621	48,800
Add / Less:				
Investments	-	-	(2,667)	-
Reserve contingencies	-	-	(4,476)	-
Accounts Payable	-	-	-	-
NSF accounts	-	-	-	-
Money held in Operational bank account for federal funds	-	-	-	-
Due from Title XIX Medicaid	-	-	-	-
2018-2019 payroll liabilities	-	-	-	-
Cash per financial statement	\$ 49,746	\$ 3,783	\$ 267,478	\$ 48,800

See accompanying independent auditors' report

Capital Improvements HB-33 31600	Capital Improvements SB-9- State 31700	Capital Improvements SB-9- Local 31701	Debt Service 41000	Total
\$ 3,060,620	\$ -	\$ 357,832	\$ 6,521,423	\$ 22,608,937
11,279	-	-	-	4,769,049
-	-	-	-	(2,919,080)
(12,106)	-	-	-	(4,769,877)
-	-	-	-	(1,925)
-	-	826	-	(3,494)
-	-	-	226,772	5,483,435
<u>3,059,793</u>	<u>-</u>	<u>358,658</u>	<u>6,748,195</u>	<u>25,167,045</u>
7,058,115	-	3,531,441	8,192,056	106,709,792
186,542	4,000	-	-	5,275,954
<u>10,304,450</u>	<u>4,000</u>	<u>3,890,099</u>	<u>14,940,251</u>	<u>137,152,791</u>
(7,775,383)	(221,241)	(3,445,520)	(7,209,712)	(107,856,853)
-	-	(209,507)	-	(5,275,954)
<u>(4,611)</u>	<u>-</u>	<u>542</u>	<u>617</u>	<u>(27,170)</u>
<u>2,524,456</u>	<u>(217,241)</u>	<u>235,614</u>	<u>7,731,156</u>	<u>23,992,814</u>
-	-	-	(226,772)	(3,697,744)
-	-	(542)	(617)	(5,731)
4,611	-	-	-	4,611
-	217,241	(217,241)	-	9,272
-	-	-	-	-
-	-	-	-	(4,476)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,107,848</u>
<u>\$ 2,529,067</u>	<u>\$ -</u>	<u>\$ 17,831</u>	<u>\$ 7,503,767</u>	<u>\$ 23,406,594</u>
				Cash balance above 23,406,594
				Less: agency cash per Exhibit D-1 (768,414)
				Cash per Exhibit B-1 \$ <u>22,638,180</u>
				Investment balance above 3,697,744
				Less: agency investment per Exhibit D-1 (504,820)
				Investments per Exhibit B-1 \$ <u>3,192,924</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

Schedule IV

	<u>2019</u> <u>2018</u>	<u>2018</u> <u>2017</u>	<u>2017</u> <u>2016</u>	<u>2016</u> <u>2015</u>	<u>2015</u> <u>2014</u>
The District's proportion of the net pension liability (asset)	1.10194%	1.63570%	1.44930%	1.52265%	1.45804%
The District's proportionate share of the net pension liability (asset)	\$ 199,829,061	\$ 181,783,000	\$ 104,297,912	\$ 98,626,095	\$ 83,191,829
The District's covered-employee payroll	\$ 50,207,408	\$ 46,964,456	\$ 51,100,289	\$ 41,393,067	\$ 43,284,911
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	398.01%	387.07%	204.10%	238.27%	192.20%
Plan fiduciary net position as a percentage of the total pension liability.	52.17%	52.95%	61.58%	63.97%	66.54%

* *Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Last 10 Fiscal Years*

Schedule V

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,000,194	\$ 6,528,059	\$ 7,102,940	\$ 5,753,636	\$ 6,012,764
Contributions in relation to the contractually required contribution	<u>7,000,194</u>	<u>6,528,059</u>	<u>7,102,940</u>	<u>5,753,636</u>	<u>6,012,764</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 50,207,408	\$ 46,964,456	\$ 51,100,289	\$ 41,393,067	\$ 43,284,911
Contributions as a percentage of covered-employee payroll	13.94%	13.90%	13.90%	13.90%	13.89%

* *Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last 10 Fiscal Years*

Schedule VI

Fiscal Year Measurement Date	2019 2018	2018 2017
The District's proportion of the net OPEB liability	1.10194%	1.19320%
The District's proportionate share of the net OPEB liability	47,916,261	54,071,922
The District's covered-employee payroll	47,280,022	49,704,504
The District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	101.35%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability.	13.14%	11.34%

* *Governmental Accounting Standards Board Statement No. 75* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2017, the year the statement's requirements became effective.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Last 10 Fiscal Years*

Schedule VII

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,721,966	\$ 3,788,970
Contributions in relation to the contractually required contribution	<u>1,700,940</u>	<u>1,901,641</u>
Contribution deficiency (excess)	<u>\$ 21,026</u>	<u>\$ 1,887,329</u>
The District's covered-employee payroll	\$ 47,280,022	\$ 49,704,504
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

* *Governmental Accounting Standards Board Statement No. 75* requires ten years of historical information be presented; however until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2017, the year the statement's requirements became effective.

COMPLIANCE SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

Brian S. Colon, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Education
Hobbs Municipal School District #33
Hobbs, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Hobbs Municipal School District #33 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated November 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2626 JBS Parkway
Suite A-200
Odessa, Texas 79761
(432)362-3800

Two Fasken Center
550 West Texas Avenue
Midland Texas 79701
(432) 683-1835

225 East Bender Boulevard
P.O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items: FS2019-001, FS2019-002, and FS2019-003.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Johnson, Miller & Co., CPA's

Hobbs, New Mexico
November 8, 2019

FEDERAL FINANCIAL ASSISTANCE



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Brian S. Colon, Esq.
New Mexico State Auditor
The Office of Management and Budget and
The Board of Education
Hobbs Municipal School District #33
Hobbs, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Hobbs Municipal School District #33's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

2626 JBS Parkway
Suite A-200
Odessa, Texas 79761
(432)362-3800

Two Fasken Center
550 West Texas Avenue
Midland Texas 79701
(432) 683-1835

225 East Bender Boulevard
P.O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

www.jmcpa.com

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the New Mexico Public Education Department, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co., CPA's



Hobbs, New Mexico
November 8, 2019

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2019

Schedule VIII
 (Page 1 of 2)

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures
U.S. Department of Agriculture			
<i>Direct U.S. Department of Education</i>			
Forest Reserve - General Fund	10.665	11000	\$ 60,486
Food Distribution	10.553 & 10.555	21000	289,045 (1)
National School Lunch Act	10.553 & 10.555	21000	2,579,136 (1)
Total U.S. Department of Agriculture			<u>2,928,667</u>
U.S. Department of Education			
<i>Passthrough - New Mexico Public Education Department</i>			
Title I - IASA	84.010	24101	* 1,541,191
IDEA B Entitlement	84.027	24106	1,700,399 (2)
IDEA B Preschool	84.173	24109	39,036 (2)
Title III - English Language Acquisition	84.365A	24153	123,688
Title IIA -Teacher/Principal Training and Recruiting	84.367A	24154	* 200,685
Carl Perkins Secondary	84.048	24174	101,649 (3)
Carl Perkins Redistribution	84.048A	24176	11,186 (3)
21st Century Community Learning Center (CCLC)	84.287C	24119	1,210,938
Direct Student Services	84.010A	24193	104,391
Total Federal Financial Assistance			\$ <u>7,961,830</u>

* Major program
 () Denotes Clusters

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

Schedule VIII
(Page 2 of 2)

NOTE 1 - Basis of Presentation of Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hobbs Municipal School District #33 and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

NOTE 2 - Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2019 was \$289,045 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.555.

NOTE 3 - 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% de minimus indirect cost rate.

NOTE 4 - Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es): _____ Yes No

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es): _____ Yes No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I IASA - Grants to Local Educational Agencies
84.367	Title IIA - Improving Teacher Quality State Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes _____ No

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2019-001 - Internal Control over Inventory – Other Matters

Condition

During the physical observation of nutritional services inventory on 6/27/19, we selected, “Beef Patty Flame Broil – 20oz” as a pad to floor selection. Only 34 of 35 cases were located as represented in the client’s inventory report.

Criteria

Section 6.20.16 NMAC states that each District shall, at fiscal year-end, take a physical inventory of remaining goods and materials of an expendable nature. The District shall also establish adequate internal control procedures for inventory in accordance with GAAP.

Effect

The District did not accurately perform the fiscal year-end inventory which leads to the potential for the amount of inventory to be overstated.

Cause

Client did not implement appropriate internal controls over inventory to detect miscounts on a timely basis.

Recommendation

We recommend that the District implement strict internal controls over inventory to ensure that all items listed are current, counted correctly and are stated at the correct price. The District should also consider reevaluating the organization of inventory in the large walk-in freezers.

Agency Response

Nutritional Services have devised a method to assure an accurate count in the future. This includes someone reviewing the inventory prior to submission. The Director of Nutritional Services will also assign someone to do a sample test count as the inventory is being done with each annual inventory. This will help to catch any possible variances in quantity. Some differences occur because of an emergency order due to the primary vendor being unable to supply the product as needed. The district will begin implementing this process immediately under the supervision of the Director of Nutritional Services.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2019-002 (2018-002) – Outstanding Checks – Other Matters

Condition

During our testwork we noted that the District had several bank reconciliations that include outstanding checks over a year old that have not been escheated to the State. The operating account, payroll account, and the cafeteria account had the following amounts outstanding, \$390.83, \$819.19 and \$7.60, respectively. This is a repeat finding in which management did not implement the prior year corrective action which included providing the Board with a list of checks over a year old for approval to be escheated to the State by June.

Criteria

The fiscal officer shall keep a register of all canceled warrants/checks. The register shall show the number, date and amount, name of payee, fund out of which it was payable, and date of cancellation. The face amount shall revert and be credited to the fund against which the warrant/check was drawn.

The Uniform Unclaimed Property Act, (Sections 7-8A-1 through 7-8A-31 NMSA 1978), also requires any entity in possession of property that has been unclaimed or abandoned to report the property to the State of New Mexico. Under the Act, Section 7-8A-2, presumptions of abandonment, states that "property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:"

- i. Section 7-8A-2(6) - "money or credits owed to a customer as a result of a retail business transaction, three years after the obligation occurred;"
- ii. Section 7-8A-2(12) - "wages or other compensation for personal services, one year after the compensation becomes payable."

Effect

The District is not in compliance with NMAC & New Mexico statutes.

Cause

The District had uncleared checks outstanding over a year on multiple bank reconciliations.

Recommendation

We recommend that the District review the reconciliations and outstanding checks at the end of June to determine if any checks need to be voided as of year-end.

Agency Response

The district has compiled a list of any checks that are over a year old and that list was approved by the board in September 2019. The Director of Finance will ensure that the list of checks over a year old is compiled every May to ensure that they make it to the June board meeting each year. The Chief Procurement office will then complete the Escheat forms needed to provide to the state.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2019-003 – Disposal of Fixed Assets – Other Matters

Condition

During our testwork of property disposals, we noted all 11 items tested with a total original cost of \$112,435.93 were disposed of during FY '19, but were not properly reported to the Office of the State Auditor.

Criteria

Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property included on the agency inventory list described at Subsection W of Section 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor.

Effect

The District is not in compliance with Sections 13-6-1 and 13-6-2 NMSA 1978.

Cause

While the District did notify the State Auditor of dispositions around 04/2019, the list of dispositions included non-inventory items (less than \$5,000), but did not include the disposals related to capitalized items greater than \$5,000 included on the inventory listing of capitalized chattels and equipment due to staff turnover.

Recommendation

We recommend the District include all disposals from the agency inventory list on the notification to the State Auditor.

Agency Response

There was a turn-over in the personnel that prepares fixed assets. During this transition, some items were inadvertently left off of the disposals list that was sent to the Office of the State Auditor in 04/2019. The Director of Finance along with the fixed assets employee will immediately start double checking disposal lists as assets are identified as salvageable to make sure that all assets are presented to the board and Office of the State Auditor prior to disposal.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

C. PRIOR YEAR AUDIT FINDINGS

2018-001	Internal Control Over Deposits – Other Matter	Resolved
2018-002	Outstanding Checks – Other Matter	Repeated
2018-003	Internal Control Over Gas Cards – Other Matter	Resolved

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT #33
OTHER DISCLOSURES
Year Ended June 30, 2019

AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 12, 2019.

The following persons were in attendance:

Hobbs Independent School District No. 33

TJ Parks, Superintendent
Kerri Gray, Director of Finance
Gene Strickland, Assistant Superintendent of Operations
Gary Eidson, Board Member
Terry O'Brain, Board Member
Margie Sotelo, Parent Representative

Johnson, Miller & Co., CPA's

Mary Hinds, CPA
Jennifer Burrola, CPA